



BOARD OF ADMINISTRATION

Meeting Minutes - Final Police & Fire Department Retirement Plan and Health Care Trust

Thursday, September 9, 2021

8:30 AM

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

zoom.us

Dial In: +1 669 219 2599 US (San Jose)

Meeting ID: 944 5848 6336

Password: 705116

Drew Lanza, Chair, Public Member (Term Expires 4/30/23)
Andrew Gardanier, Vice-Chair, Fire Active Rep (Term Expires 11/30/23)
Sunita Ganapati, Trustee, Public Member (Term Expires 11/30/22)
Howard Lee, Trustee, Public Member (Term Expires 11/30/22)
Eswar Menon, Trustee, Public Member (Term Expires 11/30/22)
Richard Santos, Trustee, Fire Retiree Rep (Term Expires 11/30/22)
Franco Vado, Trustee, Police Retiree Rep (Term Expires 11/30/24)
Dave Wilson, Trustee, Police Active Rep (Term Expires 11/30/21)
Vacant, Trustee, Public Member (Term Expires 11/30/24)

Pam Foley, City Council Liaison to the Board

Harvey Leiderman, General and Fiduciary Counsel

Roberto L. Peña, CEO, Office of Retirement Services

AGENDA

CALL TO ORDER AND ROLL CALL

The Board of Administration of the Police and Fire Department Retirement Plan and Health Care Trust met via zoom on Thursday, September 9, 2021 at 8:30 a.m. Chair Drew Lanza called the Pension Plan and Health Care Trust meeting to order at 8:34 a.m. followed by roll call.

Present: 7 - Eswar Menon, Andrew Gardanier, Andrew Lanza, Richard Santos, Sunita Ganapati, Dave Wilson and Franco Vado
Absent: 1 - Howard Lee

Trustee Wilson arrived at 8:35 a.m.

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

Also Present via Teleconference: Harvey Leiderman, General and Fiduciary Counsel; Laura Wirick, Meketa Investment Group; Jared Pratt, Meketa Investment Group; Bill Hallmark, Cheiron, Inc.; Anne Harper, Cheiron, Inc; Kaci Boyer, Neuberger Berman; Randi Perry, CMO; Cheryl Parkman, OER; Kevin Balaod, Journalist; Ray Storms, Retiree Association; Brian Starr, Public Attendee; Nikolai Sklaroff, Finance Department; Michael Burger, Finance Department; John Nguyen; Julie LaBlanc; Wing-See Fox, Urban Futures; Julio Morales, Urban Futures; Jim Shannon, Budget Director; Michael Busch, Urban Futures; Julia Cooper, Finance Director; Candace Kwok-Smith; Tim Frydendall, Urban Futures.

Ceremonial Item

Presentation of a commendation to Vince Sunzeri for his service as Trustee to the Police & Fire Retirement Plan's Board of Administration.

Chair Lanza presented Trustee Sunzeri's Commendation. CEO Peña and the Board thanked Trustee Sunzeri for his 10 + years of service to the City and the Board on behalf of staff and Plan members.

A motion was made to approve the commendation for Vince Sunzeri.

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

CLOSED SESSION

The Board entered into Closed Session at 8:53 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 9:04 a.m.

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

The Board reconvened into Open Session at 9:05 a.m. There was no reportable action from Closed Session.

• **ORDERS OF THE DAY**

Chair Lanza read the following Orders of the Day into the record:

- All votes will be roll call votes.
- If you are not speaking, please be on mute to cut background noise.
- For matter where we must have debate, I will call the roll and you will each have a turn.
- We run great, open meetings. But we need a different etiquette. Do not interrupt a presenter. Take notes and ask later.
- If necessary, there will be a hard recess from 1:00pm -1:05pm to accommodate Civic Center TV's broadcasting process.
- Time Certain at 11:30 a.m. - Item 4d - Discussion of City staff's objectives and approach to potential issuance of Pension Obligation Bonds (POBs).
- Time Certain at 10:30 a.m. - Item 4c - Presentation by Bill Hallmark from Cheiron on amortization policy.

Waive Sunshine (attachments received late):

4f – Chairman's Thoughts on Pension Obligation Bonds

4i - Discussion and action on Board Committee Assignments.

A motion was made to approve the Orders of the Day and to waive sunshine on items 4f and 4i.

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

1. **CONSENT CALENDAR**

CEO Peña spoke to item 1.5b and encouraged new Board members to sign up.

A motion was made to approve the Consent Calendar.

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

1.1 **Approval Of Minutes**

- a. Approval of the Revised Board Minutes of June 3, 2021.
- b. Approval of the Board Minutes of August 5, 2021.

1.2 **Approval Of Travel for Conferences and Due Diligence**

- a. Prabhu Palani, CIO
 - Trusted Insight Platform LP Ecosystem Day - July 22, 2021
 - BNY Mellon Wealth Management Pitch Day - September 14, 2021

1.3 Return of Contributions

- a. Voluntary / Involuntary.

1.4 Communication/Information

- a. Police and Fire Retirement System Dashboard.
- b. The Institutional Investor article: San Jose's Pension Funds Post Record-Breaking Returns, by Alicia McElhaney, August 4, 2021.

1.5 Education and 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.

2. INVESTMENTS

- a. Oral Update by CIO, Prabhu Palani.

CIO Palani updated the Board on the following:

- The Pension Plan was up 2.24% for the fiscal year as of the end of August 2021.
- For Calendar Year To-Date, the Pension Plan is up 11.50 %.

- b. Presentation of Calendar 1st Quarter 2021 Private Equity Report by Neuberger Berman.

CIO Palani introduced Kaci Boyer, Neuberger Berman, who presented the calendar 1st Quarter 2021 Private Equity report and answered questions from the Board.

- c. Presentation of Calendar 1st Quarter 2021 Private Markets Report by Meketa Investment Group.

CIO Palani introduced Jared Pratt, Meketa Investment Group, who presented the calendar 1st Quarter 2021 Private Markets report and answered questions from the Board.

- d. Presentation of Calendar 2nd Quarter 2021 Performance Report for Pension Plan by Meketa Investment Group.

Items 2d and 2e were heard together.

Laura Wirick and Jared Pratt, Meketa Investment Group, presented the Calendar 2nd Quarter Performance reports for the Pension Plan and Health Care Trust and answered questions from the Board. Ms. Wirick reported that the value of the Police & Fire Retirement Plan's assets was \$4.7 billion as of June 30, 2021, an increase of approximately \$211 million from the end of the prior quarter. The Plan had net cash outflows of \$61 million, and investment gains of \$273 million during the quarter. The value of the City of San Jose Police and Fire Department Retirement Plan Health Care Trust's assets was \$248.7 million on June 30, 2021, an increase of \$16.5 million from the end of the prior quarter. The Trust had net cash inflows of \$5.8 million and investment gains of \$10.7 million in the 3-month period.

- e. Presentation of Calendar 2nd Quarter 2021 Performance Report for Health Care Trust by Meketa Investment Group.

Meketa Investment Group presented this Report.

3. OLD BUSINESS CONTINUED-DEFERRED ITEMS

- a. Discussion and action on Ordinance changes to clarify definition of FLSA Premium Pay. (*Deferred from the August 5, 2021 Board meeting.*)

This item was heard after 4a.

Cheryl Parkman, Office of Employee Relations, spoke to the proposed Ordinance changes to clarify definition of FLSA Premium Pay. She explained that there are no substantive changes, the changes are just to clarify what was already written. In addition, Ms. Parkman noted that the Local POA and Local 230 unions had been apprised of the proposed changes and had no questions or comments. Counsel Leiderman spoke and recommended that the Board offer no comments or recommendations.

4. NEW BUSINESS

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

This item was heard after 4b.

CEO Peña updated the Board on the following:

- The City's 'Return to in-person work' goal has been pushed back to November 1st for now. CEO Peña will keep the Board apprised.
- Stage 2 of the City's employee vaccination plan has begun and has a proposed deadline of September 30th. Some exemptions may be accepted, however, non-compliance can result in disciplinary action, up to termination.
- ORS has concluded recruitment for a vacant Benefit Analyst position. The new hire will start on September 20th.

- ORS has received requests for annual actuarial evaluation data. A timeline will be provided at the next Board meeting detailing when Cheiron and Segal will present their findings to the Board.
- The annual Joint Meeting of the Retirement Boards and City Council will be held virtually on September 30th from 1:30 - 4:30 p.m.

Chair Lanza asked about employment vacancies in ORS and Ms. Hayman, Deputy Director, responded.

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

This item was heard after 2d & 2e.

Councilwoman Foley thanked Vince Sunzeri for his service to the Board and updated the Board on pending matters before the Council.

- c. Presentation by Bill Hallmark from Cheiron on amortization policy.

This item was heard after item 6e.

Chair Lanza introduced the item for discussion. Bill Hallmark and Anne Harper, Cheiron Inc., spoke to the Boards amortization policy and answered questions from the Board. Mr. Hallmark explained that the City and Retirement Boards have independent responsibilities related to the pension plans. If the City decides to issue a Pension Obligation Bond (POB) and contribute the proceeds to the retirement plan, the Retirement Board would need to decide how to invest the assets and how the additional assets would effect the Actuarially Determined Contribution (ADC). Mr. Hallmark spoke to the potential impact to the ADC as presented in the attached document.

- d. Discussion of City staff's objectives and approach to potential issuance of Pension Obligation Bonds (POBs). (TIME CERTAIN 11:30 A.M.)

CEO Peña introduced Julia Cooper, Finance Director, Jim Shannon, Budget Director, Nikolai Skaroff, Finance and Cheryl Parkman, OER, who spoke on the objectives and approach to the 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 31 of the presentation.

- e. Presentation by Fiduciary Counsel regarding Pension Obligation Bonds (POB's).

Counsel Leiderman spoke to the item and stated that if the City were to issue POBs, the Boards should not disrupt the processes and procedures in place for deploying money and deciding actuarially how to fund the system in a sound way. The Board does have considerable discretion, however, in making those actuarial determinations. Counsel Leiderman answered questions from the Board.

- f. Chairman's thoughts on Pension Obligation Bonds (POB's).

Chair Lanza summarized the continuing discussion on POB's, presented the attached

presentation and answered questions from the Board.

- g.** Discussion and action on CIO's compensation.

Items 4g and 4h were heard together.

Chair Lanza introduced the item for discussion and provided a brief background on the compensation process. Trustee Menon spoke to the CIO evaluation. The Board thanked CEO Peña and CIO Palani for their excellent work during the last year, despite the challenges of COVID.

A motion was made to recommend a merit increase range of 5-10% for both CEO/CIO.

A friendly amendment to the motion was made:

A motion was made to recommend a merit increase range of 5-10% for both CEO/CIO and to authorize the Board's Labor Negotiators (Chair Lanza and IC Chair Menon) to approve raises within that range consistent with the percentage raises approved by the FCERS Board at its upcoming meeting. Further, the motion included the authority to approve additional executive leave for the CEO/CIO.

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

- h.** Discussion and action on CEO's compensation.

This Item was approved.

- i.** Discussion and action on Board Committee Assignments.

This item was heard after 3a.

Chair Lanza introduced the topic for discussion and explained that the attached document displays his recommendations for Committee assignments. He stated that he had spoken to Trustees individually before making his recommendations and all have been amenable to their proposed assignments.

A motion was made to approve the Board Committee Assignments as presented in the attached document.

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

- j.** Presentation on Post-Traumatic Stress Disorder (PTSD) in retired police and fire members by the Association of Retired Police Officers & Firefighters President, Ray Storms.

This item was heard after 4g and 4h.

Ray Storms, Retiree Association President, spoke to his letter to the Board and explained his concern regarding the lack of continued mental health service access after retirement for Police and Fire members. The Board directed staff to work with Trustee Gardanier and Mr. Storms to add an appropriate actionable agenda item for the October meeting.

- k. Discussion and action on consideration to refer disability application of former Board member James R. Mason to neutral retirement system for recommendation to the Board.

This item was heard after 4i.

CEO Peña briefly spoke to the item. Counsel Leiderman also spoke and stated that it was typical of Boards to have a 3rd party review disability cases of Trustees or former Trustees to avoid the appearance of bias. There is no requirement to do so per San Jose Municipal Code, however, it is good form to maintain transparency and to ensure no bias.

A motion was made to accept Counsels' recommendation to refer James R. Mason's disability application to a neutral system.

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

5. RETIREMENTS

5.1 Service Retirements

Chair Lanza read the Service Retirements into the record.

A motion was made to approve the Service Retirements.

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

- a. **Russell V. Davis**, Fire Engineer, Fire Department, effective September 18, 2021; 25.18* years of service.
- b. **Edward A. Dorsey**, Police Officer, Police Department, effective September 17, 2021; 25.03* years of service.
- c. **David Ennes**, Battalion Chief, Fire Department, effective October 3, 2021; 31.71* years of service. *(With Reciprocity CSJ YOS 20.04 + SJCERA YOS 6.84 + 4.81 PERS YOS)*
- d. **James R. Mason**, Police Sergeant, Police Department, effective October 2, 2021; 29.43* years of service. *(With Reciprocity CSJ YOS 19.49 + PERS YOS 9.93)*
- e. **Derek Parmer**, Fire Captain, Fire Department, effective October 3, 2021; 31.26* years of service. *(With Reciprocity CSJ YOS 20.01 + PERS YOS 11.54*)*

5.2 Deferred Vested

Chair Lanza read the Deferred Vested Retirement into the record.

A motion was made to approve the Deferred Vested Retirement.

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

- a. **Richard J. Benetiz, Jr.**, Police Sergeant, Police Department, effective September 6, 2021; 20.07* years of service.

5.3 **Early Retirement**

Chair Lanza read the Early Service Retirement into the record.

A motion was made to approve the Early Service Retirement.

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

- a. **Cassidy D. Elischer**, Police Officer, Police Department, effective October 2, 2021; 24.33* years of service. (*With Reciprocity CSJ YOS 19.87 + PERS YOS 4.45**)

6. **DEATH AND SURVIVORSHIP NOTIFICATIONS (Moment of Silence)**

The Chair read the Death Notifications into the record and asked for a moment of silence for those who served and passed away. Trustee Gardanier, Trustee Vado and Trustee Santos said a few kind words.

- a. Notification of the death of **Steven F. Alvarado**, Division Chief, retired September 13, 2014, died July 2, 2021. Survivorship benefits to Terri Alvarado, Spouse.
- b. Notification of the death of **Fred J. Esparza**, Police Officer, retired January 15, 1994, died January 7, 2021. No survivorship benefits.
- c. Notification of the death of **James Hart**, Police Officer, retired December 3, 1969, died June 22, 2021. No survivorship benefits.
- d. Notification of the death of **Danny R. Holmes**, Fire Engineer, retired May 14, 1978, died July 5, 2021. Survivorship benefits to Kathy Holmes, Spouse.
- e. Notification of the death of **John Trussler**, Police Sergeant, retired January 16, 1993, died July 1, 2021. Survivorship benefits to Christine Trussler, Spouse.

7. **COMMITTEE MINUTES, REPORTS and RECOMMENDATIONS**

7.1 **Investment Committee (Menon - CH/Gardanier/Lanza/Lee)**

Last Meeting: August 26, 2021 **Next Meeting: October 26, 2021**

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

This item was heard after 4j.

Trustee Menon updated the Board on the contents of the last meeting.

- b. Minutes of the June 22, 2021 Police and Fire Investment Committee meeting. Receive and file.

This Committees/Reports/Recommendations was received and filed.

- c. Minutes of the June 29, 2021 Joint Investment Committee meeting. Receive and file.

This Committees/Reports/Recommendations was received and filed.

7.2 Audit/Risk Committee (Lee - CH/Ganapati/Vacant)

Last Meeting: August 19, 2021 **Next Meeting: October 21, 2021**

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

CEO Peña updated the Board on the contents of the last meeting as Trustee Lee was absent.

- b. Minutes of the May 20, 2021 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. 4/1/21 - 6/30/21 Quarterly Travel and attendance for Police & Fire. Receive and file.

This Committees/Reports/Recommendations was received and filed.

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

This Committees/Reports/Recommendations was received and filed.

7.3 Governance Committee (Vacant - CH/ Santos/ Lee)

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

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

CEO Peña stated that the next meeting would take place at the conclusion of the Board meeting. He asked that Trustee Vado and Trustee Ganapati participate in the meeting.

7.4 Disability Committee (Santos - CH/Lanza - Alts: Vacant/Vacant)

Last Meeting: September 7, 2021 **Next Meeting: October 12, 2021**

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

Trustee Santos spoke to the last meeting and stated that the October meeting date or time would change per Counsel Richeda's request, staff will coordinate the change.

7.5 Joint Personnel Committee (Vacant - CH/Lanza/Menon)

Last Meeting: April 30, 2021 **Next Meeting: TBD**

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

CEO Peña spoke to the need for a meeting of the JPC very soon to finalize projects.

• **PROPOSED AGENDA ITEMS**

None.

• **PUBLIC COMMENTS**

None.

• **ADJOURNMENT**

Next Meeting: October 7, 2021

The meeting adjourned at 2:13 p.m.

*Estimated

Minutes Recorded, Prepared and Respectfully Submitted by,

DREW LANZA, CHAIR
BOARD OF ADMINISTRATION

ATTEST:

ROBERTO L. PEÑA, CEO
OFFICE OF RETIREMENT SERVICES