



BOARD OF ADMINISTRATION

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

Thursday, October 7, 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: 985 6941 7463

Password: 234660

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 & Maytak Chin, General and Fiduciary Counsel

Roberto L. Peña, CEO, Office of Retirement Services

Present: 8 - Eswar Menon, Andrew Gardanier, Howard Lee, Andrew Lanza, Richard Santos, Sunita Ganapati, Dave Wilson and Franco Vado

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, October 7, 2021 at 8:30 a.m. Chair Drew Lanza called the Pension Plan and Health Care Trust meeting to order at 8:33 a.m. followed by roll call.

Trustee Ganapati departed at 12:00 p.m.

Council Liaison Foley departed at 11:31 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, Houman Boussina and Michelle San Miguel.

Also Present via Teleconference: Harvey Leiderman, General and Fiduciary Counsel; Maytak Chin, General and Fiduciary Counsel; Laura Wirick, Meketa Investment Group; Jared Pratt, Meketa Investment Group; Anne Harper, Cheiron, Inc; Kevin Balaod, Journalist; Brian Starr, Public Attendee; Ryan Estalilla, Public Attendee; Aileen Realubit, Public Attendee; Merispe, Public Attendee.

CLOSED SESSION

The Board entered into Closed Session at 8:36 a.m.

I. CLOSED SESSION OLD BUSINESS/CONTINUED-DEFERRED 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

The Board reconvened into Open Session at 9:57 a.m. Chair Lanza reported that the Board discussed the CEO/CIO mock evaluation and reviewed the new process with the Boards' consultant, Mr. Iannucci from Cortex Applied Research.

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.
- We run great, open meetings. But we need a different etiquette. Do not interrupt a presenter. Take notes and ask later during the comment period.

- Item 5.1c - Jill Ferrante, Police Officer, Police Department, effective October 30, 2021; 26.00*

years of service. – Change in effective date from October 30, 2021 to January 8, 2022. Per member request.

WAIVE SUNSHINE (amended attachments received late):

• Waive Sunshine for the Amended Attachment to Item 4e that added the City Council's Resolution on AB 361 to the Attachment.

A motion was made to approve the Orders of the Day and Waive Sunshine on item 4e.

Approved. (M.S.C. Santos/Vado 8-0-0) The motion passed unanimously by roll call vote.

1. CONSENT CALENDAR

A motion was made to approve the Consent Calendar.

Approved. (M.S.C. Santos/Wilson 8-0-0) The motion passed unanimously by roll call vote.

1.1 Approval for a Service-Connected Disability Retirement

- a. **LeeAnn Alfonzo**, Police Officer, Police Department, Request for a Service-Connected Disability Retirement, effective October 7, 2021; 23.01* years of service. (*Disability Committee Recommendation: Approval*)
- b. **Angel John Fontanilla**, Police Officer, Police Department, Request for a Service-Connected Disability Retirement, effective October 7, 2021; 23.35* years of service. (*With Reciprocity 22.28 CSJ YOS + 1.08 CALPERS YOS*) (*Disability Committee Recommendation: Approval*)

1.2 Approval Of Minutes

- a. Approval of the Board Minutes of September 9, 2021.

1.3 Approval Of Travel for Conferences and Due Diligence

- a. Roberto Peña, CEO
 - CalAPRS Administrator's Institute 2021, Virtual Conference - September 22 & September 24, 2021.
- b. Prabhu Palani, CIO
 - Canvas Venture 2021 Annual Meeting, Virtual Meeting - October 6, 2021.

1.4 Return of Contributions

- a. Voluntary / Involuntary.

1.5 Communication/Information

- a. Police and Fire Retirement System Dashboard.
- b. Board Committee Assignments. Receive and file.
- c. Cheiron's June 30, 2021 Actuarial Valuations and Audit Schedule. Receive and file.
- d. Report of the Plan Expenses for June, July and August 2021. Receive and file.
- e. Report of the Budget vs. Actual Expenses for 4th Quarter FY 20-21. Receive and file.
- f. Summary of California Assembly Bill No. 361 Procedures for Continued Virtual Meetings During Proclaimed State of Emergency. Receive and file.

1.6 Notice of Alternate Payee Benefit Election

- a. Approval of Alternate Payee Benefit election of Unreduced Lifetime Monthly Payment Option to be paid to Mary Serles, ex-spouse of Police Officer, **Dennis Serles** to be effective July 23, 2021 under Part 17, Section 3.36.3600 of the San Jose Municipal Code.

1.7 Report out of Closed Session

- a. Report out of Closed Session from the May 6, 2021 Police and Fire Board Meeting.

1.8 Education and Training

- a. The Cortex Report - November 2021, Conferences, Seminars and Educational Programs.
- b. CalAPRS Virtual Trustees Round Table, October 29, 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 Investment Fee Report for calendar year 2020 will be presented to the City Council in November. The presentation will also be shared with stakeholders. This report is one of the most comprehensive fee reports produced by a public employee pension plan.

- b. Presentation of Investment Fee Report for Calendar Year 2020 by Investment Staff.

Investment Officer David Aung introduced the item and presented the 2020 Fee report and answered questions from the Board. Mr. Aung explained that the report provides a view of all the fees and expenses paid to investment managers as well as the cost to run the investment program. Mr. Aung presented the following to the Board:

- For calendar year 2020, management and incentive fees for the Pension Plan totaled \$44.6 million with a fee ratio of 1.05% as compared to \$40.1 million and 1.04% for 2019 and \$39.1 million and 1.07% for 2018.

- Fund operating expenses were \$6.8 million in 2020 for a fee ratio of 0.16% as compared to \$6.5 million and 0.17% for 2019 and \$5.5 million and 0.15% for 2018.

- The Health Care Trust management and incentive fees totaled \$0.2 million with a fee ratio of 0.10% as compared to \$0.1 million with a fee ratio of 0.09% in 2019 and \$0.2 million with a fee ratio of 0.13% in 2018.

- Other investment-related costs (staff, consultants, custodian bank, investment legal, etc.) for the Pension Plan declined to \$2.4 million with a fee ratio of 0.06% after having remained relatively flat over the previous 3 years at \$2.5 million with a fee ratio of 0.07%.

3. OLD BUSINESS CONTINUED-DEFERRED ITEMS - None

4. NEW BUSINESS

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

CEO Peña updated the Board on the following:

- ORS Staffing update: The Benefits group welcomed Benefits Analyst Michelle Saechao. ORS IT Network Engineer Peter Pham has left the department for Central IT.

- Open Enrollment for retirees is the month of November. A presentation will be made next week to PF Retirement Association regarding Open Enrollment. The Health Fair will be held virtually again this year.

- The Retirement Connection, the quarterly newsletter will be distributed soon.

- The City is in stage 2 of the mandatory vaccination program; as of 9/30, City staff needs to be vaccinated, starting the vaccination process or applied for a religious/medical exemption.

- The City has postponed return to on-site work. The new target date to return has moved to November 1st. ORS is following City guidelines. There is a skeleton crew working in the office on projects currently. Staff is working on implementing an appointment system.

Appointments will be virtual initially, then staggered when staff has returned to the office in a hybrid capacity.

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

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

- c. Discussion and action on economic assumptions for the June 30,2021 Actuarial Valuation.

CEO Peña introduced Anne Harper from Cheiron Inc. Ms. Harper spoke to the attached presentation and answered questions from the Board. Ms. Harper stated that Cheiron recommends no changes to the price inflation, wage inflation or amortization payment increases. Cheiron is recommending retaining the discount rate at 6.625% or reducing it by up to 25 basis points.

After discussion, Chair Lanza stated that the Board needed more information and asked Cheiron to come back next month with more information on the breakdown between Tier 1 and 2.

- d. Nominations for the position of Board Chair for calendar year 2022.

Trustee Santos nominated Chair Lanza to the position of Board Chair for the 2022 Calendar year.

- e. Discussion and action on factual findings for use of California Assembly Bill 361's abbreviated teleconferencing procedures.

Counsel Chin introduced and spoke to the item. Ms. Chin explained the contents of the attached memo for the Board and highlighted Exhibit B, the County's order to continue masking indoors, and Exhibit E, the City's decision to pass Resolution 80237. Chair Lanza made a motion to accept the findings in order to continue meeting virtually. Counsel Chin advised that the Board needed to state the reasons why it needed to continue meeting virtually. Chair Lanza restated his motion.

A motion was made to continue meeting virtually under AB 361 in light of the continued state of emergency in Santa Clara County and the City's Resolution advising continued social distancing.

Approved. (M.S.C. Lanza/Santos 8-0-0) The motion passed unanimously by roll call vote.

Trustee Ganapati departed after this item.

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/Wilson 7-0-0) The motion passed unanimously by roll call vote. Trustee Ganapati departed the meeting and did not vote.

- a. **Johnny Dellinger**, Battalion Chief, Fire Department, effective October 17, 2021; 27.82* years of service
- b. **Barry Alan Ehlers**, Fire Captain, Fire Department, effective September 19, 2021; 25.64* years of service.
- c. **Jill Ferrante**, Police Officer, Police Department, effective October 30, 2021; 26.00* years of service.
- d. **James Le**, Police Officer, Police Department, effective October 30, 2021; 26.07* years of service.

5.2 Deferred Vested

Chair Lanza read the Deferred Vested Retirements into the record.

A motion was made to approve the Deferred Vested Retirements.

Approved. (M.S.C. Santos/Wilson 7-0-0) The motion passed unanimously by roll call vote. Trustee Ganapati departed the meeting and did not vote.

- a. **Nhon Nhi Duong**, Police Officer, Police Department, effective October 11, 2021; 25.30* years of service.
- b. **Hector R. Estrada**, Deputy Fire Chief, Fire Department, effective September 28, 2021; 23.42* years of service.
- c. **Michael Lillie**, Fire Engineer, Fire Department, effective October 30, 2021; 29.64* years of service. *(With Reciprocity CSJ YOS 7.00 + PERS YOS 5.91 + StanCERA YOS 16.71)*
- d. **Michael D. Wharton**, Police Sergeant, Police Department, effective October 16, 2021; 27.51* years of service. *(With Reciprocity CSJ YOS 18.15 + PERS YOS 9.36)*

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 Santos said a few kind words.

- a. Notification of the death of **William H. Adams**, Firefighter, retired December 26, 1998, died August 4, 2021. Survivorship benefits to Loreen Adams, Spouse.

- b. Notification of the death of **Mario Busalacchi**, Fire Captain, retired June 26, 2010, died August 22, 2021. Survivorship benefits to Linda Busalacchi, Spouse.
- c. Notification of the death of **Steven G. Heck**, Police Sergeant, retired July 31, 1994, died August 6, 2021. Survivorship benefits to Patricia Heck, Spouse.
- d. Notification of the death of **Gary Schneickert**, Firefighter, retired July 3, 1993, died August 6, 2021. No survivorship benefits.
- e. Notification of the death of **Jack O. Woodall**, Police Lieutenant, retired March 12, 1995, died July 11, 2021. Survivorship benefits to Judy Woodall, 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.

There was no update.

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

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

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

There was no update.

7.3 Governance Committee (Vado - CH/ Ganapati/Santos)

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

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

CEO Peña stated that Tom Iannucci was present and ready to speak to the Governance Committee's recommendation to approve the Board Education Policy.
- b. Minutes of the June 17, 2021 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 Committees' recommendation to approve the Board Education Policy.

CEO Peña introduced Tom Iannucci, Cortex President, who spoke to the Board Education Policy and answered questions from the Board. Mr. Iannucci went over the Policy and spoke to the changes recommended by the Committee.

A motion was made to approve the Board Education Policy.

Approved. (M.S.C. Lanza/Lee 6-0-0) The motion passed unanimously by roll call vote. Trustee Ganapati departed the meeting and did not vote. Vice-Chair Gardanier stepped away from the meeting and did not vote.

- d. Discussion and action on the results of the 2021 Board Self-Assessment.

Mr. Iannucci spoke to the results of the 2021 P&F Board Self-Evaluation and explained that this report was produced bi-annually. The Board briefly discussed the report; Chair Lanza stated that some of the recommendations could be explored offline. The report was received and filed.

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

Last Meeting: September 7, 2021

Next Meeting: October 12, 2021

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

Chair Santos noted that the start time for the October 12th Disability Committee meeting would be 8:30 a.m. instead of the usual 10:00 a.m.

- b. Minutes from the June 7, 2021 Police and Fire Disability Committee meeting. Receive and file.

This Committees/Reports/Recommendations was received and filed.

7.5 Joint Personnel Committee (Gardanier/Lanza/Menon)

Last Meeting: April 30, 2021

Next Meeting: TBD

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

CEO Peña stated that a Doodle invitation will go out to JPC members soon for their availability for a meeting.

• PROPOSED AGENDA ITEMS

None.

- **PUBLIC COMMENTS**

None.

- **ADJOURNMENT**

Next Meeting: November 4, 2021

The meeting adjourned at 12:21 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