

Welcome to The Retirement Connection!

Message from

CEO Roberto L. Peña



It seems that the Covid-19 pandemic took hold of our world and upended it, including here at the Office of Retirement Services. Yet it is remarkable how well we all have adapted, fueled by our indomitable spirit, work ethic, creativity and sometimes, our sense of humor. If asked five months ago if we could carry on business “as usual”, albeit in previously inconceivable ways, few of us would have been optimistic. But carry on we have, learning lessons and finding opportunities along the way.

Obviously, the pandemic has had a significant economic impact on the Retirement Funds’ investments. However, both Boards have positioned us well to withstand the storm. Our strategies encourage flexibility, and we have been able to take advantage of the market’s wild ride by moving quickly. It is also clear that once the crisis passes, “normal” will look different. As we ease out of

social restrictions, there are few certainties. But here at ORS, we have found solutions that are worth considering for the long-term, based on their surprising effectiveness during the shutdown.

First, the Zoom era has arrived. Across the nation, public and private organizations have learned they can carry on board, committee, staff and social meetings using this simple, affordable technology – without participants leaving their homes. It is not a substitute for all face-to-face gatherings. But these options have value as convenient, efficient ways to conduct some business while reducing traffic, improving air quality and benefiting our employees and members.

For example, we may continue to limit on-site group counseling sessions and offer online versions. We may set walk-in hours for office visits while offering members Zoom or Microsoft Teams meetings when appropriate. These ideas also align with our plans to enhance communication and engagement with our Members, see article on page 2 regarding ORS Strategic Communications Plan.

Two things that will NOT change – retired members will receive monthly payments on their normal schedule in the same way they have been receiving them. And we will continue to reach out to members with updates and news of changes in a variety of ways, including future issues of *The Retirement Connection*.

Quarterly Question

Q: What has been the most challenging part for ORS trying to cope with the Covid-19 pandemic?

A: Of course it has been challenging to position the Retirement Funds to stabilize and perhaps even find opportunities in this volatile stock market, but fortunately, we were well positioned and our investment managers have responded quickly to the situation. For staff, the hardest part probably echoes the same major challenge many members have been dealing with – the isolation from friends, family and colleagues. Here at ORS, we have a very compatible team that works well together, and it has been a sacrifice to not see them daily in the office. But, as so many millions of Americans have found out, it has been encouraging and comforting to find that we can connect and conduct business using technology such as Microsoft Teams and Zoom.

Update: Retirement Investments of Funds During Covid-19

by Prabhu Palani, Chief Investment Officer (CIO)

When I last wrote to you in April 2020, we were in the midst of the quickest bear market decline in history. Both the Federal Reserve bank and the White House Administration, as well as many central banks and governments all over the world, responded quickly and decisively. These extraordinary actions resulted in a V-shaped recovery for financial markets, if not the economy. While the S&P500 lost 19.6% for the quarter ended 3/31/20, it bounced back strongly with a return of 20.54% for the quarter ended 6/30/20, the strongest quarterly return since Q4 1998.

Both the Federated and Police & Fire retirement plans, while registering returns of -10.87% and -10.5% respectively for the quarter ended 3/31/20, handily outperformed their public market peers and finished in the top quartile, primarily due to our

~Continued on page 3

ORS adopted a New Strategic Communication Plan

The Retirement Connection's newsletter is just the beginning of an ambitious plan to increase communications among the Retirement Boards, ORS and its members. Members will see new methods of communications from ORS in the coming months as we gradually launch various traditional and technology-based forms of outreach and engagement.

In May, both Boards committed to a Strategic Communications Plan which broadens our outreach to members utilizing a variety of platforms.

Like so many parts of our lives, the Covid-19 pandemic has put the timeline for achieving many of the plan's objectives into question. We simply cannot yet know if funding or staffing or even the logistics will be available to implement some projects in the near term. Yet we have learned during the crisis that there are convenient options that allow us to continue business as usual, and in a post-pandemic world, could offer members choices for how and when they communicate with the ORS.

The Strategic Communications Plan includes several strategies that may be possible when the redesigned ORS website is launched, later this year. The website will feature improved functionality and be more user friendly.

Examples of strategies being explored include providing members the opportunity to submit questions and get answers online, or even meet with staff using video platforms such as Zoom or Microsoft Teams. Staff will also assess the potential for webinars and other online learning experiences that would provide members with convenient alternatives to on-site training and counseling workshops. And, we will consider developing social media platforms that would post varied information quickly and encourage member participation.

The bottom line is that both Boards and staff recognize that today's retirees and active members want more information and engagement, and they want choices as to how and when they communicate with us. ORS is committed to meeting that standard.

COVID-19 Updates

The COVID-19 pandemic has affected how we conduct business at the ORS, just as it has affected all of our members. But we remain committed to providing you the most essential services in the best way possible.

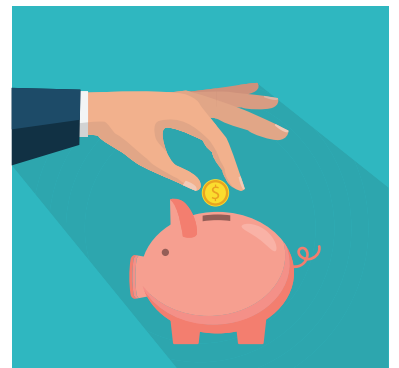
Our office is currently closed to the public. We will post updates on our website, www.sjretirement.com, to notify you if there are any changes to our operations. ORS staff are working remotely, observing the "shelter in place" rules. We are checking email and voicemails regularly during normal business hours. What this means to you regarding operations:

- Group retirement counseling sessions are being conducted via zoom teleconferencing meetings. If you registered for a session, you will be contacted with instructions for submitting retirement applications and necessary documentation.
- Board meetings will continue online via Zoom teleconferencing meetings. Check the website for dates, times, and access information. Finally, we urge all members to observe social distancing, and stay safe and well!

Retirement Plan Contribution Rates

The Board of Administration for the Federated City Employees' Retirement System and the Police and Fire Department Retirement Plan (Retirement Boards) approved new Retirement Contribution Rates for the fiscal year 2020-2021. The Retirement Boards set the contribution rates based on actuarial studies of the retirement funds' projected benefit costs and expected fund earnings. These studies are currently performed annually.

Contribution rates are the percentage of salary that employees and the City pay for Retirement. These rates are effective Pay Period 15 (June 28, 2020), with a pay date of July 17, 2020. Retirement Contribution rate letters were mailed to employees in June. To view the rates, please go to our website and click on the *News and Information Tab* on the left hand side of the page.



Profile

Barbara Hayman, Deputy Director/COO



Q: Tell us a bit about your journey to a career managing retirement services for public employees?

A: I was a longtime employee in the City's Information Technology Department and one of my clients was the Office of Retirement Services. I became very familiar with retirement issues, so when a position with the Office became available in 2006, I took it and have enjoyed working ever since. We have a great team here, and I especially admire their dedication to serving members.

Q: What was your background prior to working for the City of San Jose?

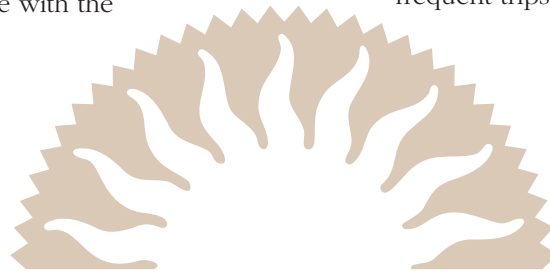
A: I came from Ireland with an IT background in the pharmaceutical industry. That job allowed me to work all over the world. When the company asked me to work for six months in Philadelphia, I was happy to oblige! I was invited to stay after that six months was completed, and eventually had the opportunity to move to San Jose in 2000. Soon after, I began my tenure with the City's IT Department.

Q: What do you see as a major challenge facing San Jose's Retirement Services?

A: I think it will be challenging yet crucial that we not only continue to handle the issues raised by the Covid-19 pandemic, but that we learn from the hurdles it has put in our path, including the lengthy quarantine it has led to.

Q: Tell us about your off-duty life.

A: Spending time with my family is very important to me, and we are an active bunch. We golf, ski, hike and enjoy relaxing around home together. We adore our 4-year-old labradoodle. I have a creative side, too, and love to garden, sew, knit, and bake. I also love to travel, and still take frequent trips home to Ireland.



~ Update: Retirement Investments of Funds during COVID-19, continued from page 1



Prabhu Palani, CIO

conservative asset allocation. The steep selloff in equity markets gave us the opportunity to increase our exposure to growth assets, which had become significantly cheaper. Our boards moved quickly to adopt a new asset allocation in late March/early April, and we have been able to benefit from the steep stock market recovery since then. As of May 31, 2020, both plans had erased their negative returns for the fiscal year and there is every indication that June performance will also be positive. While we will not meet our target return of 6.75%, our return deficit for the fiscal year will be significantly lower than what we had feared in March!

Significant challenges lie ahead of us. We haven't been able to flatten the Covid-19 curve as we had hoped, and the anticipated reopening of many businesses has been postponed. The economy continues to be sluggish and the outlook for corporate profitability is uncertain. Volatility in the markets will continue to be high. Fortunately, our long time horizon and nimbleness enables us to take advantage of investment opportunities that others cannot. Rest assured that the safety and return of your assets are our highest priority.

Stay safe and well.

The Retirement Connection

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GO GREEN!

Send ORS an email to retirement.dept@sanjoseca.gov if you would like to receive your copy of the newsletter electronically, via email or if you prefer to access the newsletter online at our website www.sjretirement.com

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Upcoming Board Meetings

COVID-19 virus has had an impact on our operations. Meetings are being held by teleconference. Please check our website for the latest information.

Police and Fire Board meetings are held on the 1st Thursdays of each month. There are no meetings in July. Upcoming meetings will be held on the following dates:

August 6 Sept. 3 Oct. 1 Nov. 5

Federated Board meetings are held on the 3rd Thursdays of each month. Upcoming meetings will be held on the following dates:

August 20 Sept. 17 (Board Retreat) Oct. 15 Nov. 19

All meetings unless otherwise posted on the Agenda, are at City Hall, 200 E. Santa Clara Street, Wing Rooms 118-120. Meetings are also live-streamed on our website at www.sjretirement.com

Upcoming Office Closures

September 7, 2020
Labor Day
October 12, 2020
Columbus Day

CONTACT US!

408-794-1000 or 1-800-732-6477
Our staff directory can be found on our website at:
www.sjretirement.com
Click on "Contact us" or email us at retirement.dept@sanjoseca.gov