

Boards and Commissions Application

Profile

David

First Name

Kwan

Last Name

Email Address

Please note, applications are continuously accepted to the City of San Jose Boards and Commissions. The Board or Commission you select may or may not indicate there is a vacancy. Your application will remain on file for one year from the date of submission. During the year, your application may be considered for unanticipated vacancies.

Which Boards would you like to apply for?

Police and Fire Retirement Plan Board: Submitted

Question applies to Police and Fire Retirement Plan Board,Federated City Employees' Retirement System

Public members of the Board of Administration of the San Jose Police and Fire Department Retirement Plan or the Federated City Employees Retirement System must live within 50 miles of San Jose City Hall and meet specified eligibility requirements.

Employee members of the Retirement Boards must be active employees who are members of the respective retirement plan. The Police and Fire Department representative must be an employee of the Police or Fire Department respectively. The employee representatives to the Federated Board shall be employed by different departments.

Retiree members of the Retirement Boards must be persons who have retired under the provisions of the respective retirement plan.

Are you a resident of San Jose?

☐ Yes ☒ No

Question applies to Police and Fire Retirement Plan Board,Federated City Employees' Retirement System

Member Category: *

☒ Public Member**Length of Residency**

☒ Less than 1 year

Question applies to Police and Fire Retirement Plan Board,Federated City Employees' Retirement System

If not a resident, do you live within 50 miles of San Jose City Hall?

☒ Yes ☐ No

What district do you live in? To verify, please click here: <https://eservices.sccgov.org/rov/?tab=dt> *

☒ District 5

[Redacted]

Street Address

[Redacted]

Suite or Apt

Palo Alto

City

CA

State

94301

Postal Code

[Redacted]

Primary Phone

[Redacted]

Alternate Phone

Retired

Employer

NA

Job Title

Current Employer Address

[Redacted]

Current Employer of Spouse

Retired

Address of Current Employer of Spouse

[Redacted]

Spouse's Job Title

NA

If you or your spouse is retired and receiving a pension, please state source of pension.

Pension is from BNY Mellon Corporation

Question applies to multiple boards

[Redacted]

[Redacted]

[Redacted]

[Redacted]

Question applies to multiple boards

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

Interests & Experiences

High School, College, Professional, Vocational, or Other Schools Attended. Please include Major or Field of Study, Dates Attended, Degree and Date of Degree.

UC Berkeley, Business/Finance, 1988-1990, MBA 1990

List any position or office held in any governmental agency, civic, or charitable organization including the dates

None

Languages Spoken

English

Special Awards or Recognitions Received

Certified Financial Analyst

Please state why you want to become a member of this Board or Commission including specific objectives which you would work toward as a member.

I'm applying for a board position because I believe that I can add value to the board based on my experience in working with pension fund sponsors during my career. My objective as a board member would be to maintain a high level of fiduciary standard in the retirement plan and to make a positive contribution to the board in its investment making decisions.

Please state any other information which you feel would be useful in reviewing your application

As an investment professional prior to retirement, I worked with many pension plan sponsors in developing investment solutions to mitigate the underfunded status of many plans. This experience could be beneficial in the discussion to determine the optimal investment path to take for the San Jose Police and Fire Pension Retirement Plan.

Do you own property in the City of San José?

☐ Yes ☒ No

If yes, please list the addresses here.

Do you rent property in the City of San José?

☐ Yes ☒ No

If yes, is it a month-to-month lease?

☐ Yes ☐ No

State and local law require that you abstain from participation in decisions that may affect your financial interests, including sources of income, interest in real property, personal finances or investments. In addition, if appointed, you may be required to fill out a disclosure statement which identifies certain of your financial interest beginning with the immediate twelve-month period prior to your appointment. Please review the scope of your board/commission in Municipal Code Chapter 2.08. Based on your best judgment, does this Board or Commission make decisions that may affect sources of income, interests in real property, personal finances or investments of you or your spouse?

☐ Yes ☒ No

If yes, please explain. Please identify any organizations, associations, corporations, or entities by which you are employed or associated that might be affected by decisions of this Board or Commission, and the positions you hold in these entities.

Question applies to multiple boards

If appointed, you will be required to fill out a disclosure statement, which identifies certain of your financial interests beginning with the immediate twelve-month period prior to your appointment and annually on or before April 1 of each year thereafter. Please confirm that you have read Fair Political Practices Commission (FPPC) Form 700 Reference Pamphlet and agree to file required FPPC Form 700 Statements of Economic Interest, as required by current City Council Conflict of Interest resolution.

☒ Yes ☐ No

Question applies to multiple boards

Have you ever been required to file a Statement of Economic Interest (Form 700) and failed to do so?

☐ Yes ☒ No

Question applies to multiple boards

If yes, please explain in complete detail.

Question applies to multiple boards

Please confirm that you have reviewed and agree to comply with the San Jose Municipal Code Chapter 12.08 (Prohibition of Gifts), City of San Jose Ethics Policy (City Policy Manual 1.2.1), and City of San Jose Gift Policy (City Policy Manual 1.2.2).

☒ Yes ☐ No

Reference 1 Name

Ralph Goldsticker

Reference 1 Address

[REDACTED]

Reference 1 Email address

Reference 1 Phone

[REDACTED]

Reference 2 Name

Jeff Zhang

Reference 2 Address

[REDACTED]

Reference 2 Email address

Reference 2 Phone

[REDACTED]

Supplemental Questions

If applicable, have you ever attended a meeting of the Commission(s) to which you are applying?

☐ Yes ☒ No

Would you be available to attend meetings at the scheduled time?

☒ Yes ☐ No

Please describe your experience in serving on a Commission or Board.

During my career as an investment professional, I've worked with numerous public and private boards, mostly pertaining to investment matters. Although I have not served on any public boards in the past, I have served as a fiduciary member of internal corporate oversight boards. As such, I have a good understanding of the fiduciary standards and processes. I believe that this experience has provided me with a good understanding of the decisions that members of the board have to make.

Considering your experience and activities in business, labor, School, professional, social, Commissions, Boards, or other organizations, indicate the experience, training, knowledge and/or skills which qualify you for appointment to the selected commission(s).

In addition to the answer above, I've worked with many public and corporate pension boards where the plans were underfunded, so I have a good understanding of the dynamics of these situations and the difficulties they bring. I feel that this experience will contribute positively to board discussions on issues related to how to minimize the funding gap and how to develop a more optimal course of action for the plan.

What is your understanding of the purpose of the Commission?

My understanding is that the board act as fiduciary to the constituents of the plan, which includes all the active and retired fire and police members of the city. The board manages and administers the plan on behalf of its members.

Please list three issues facing the City that you feel the Commission should address.

1. The underfunded status of the plan. 2. The expenses incurred by the plan 3. Performance of the plan relative to its peers.

Anything else you would like us to know?

At this point in my life, I'm motivated to utilize my knowledge and experience to give back to the community. I'm applying for this position because I believe that I have the time and inclination to make a positive contribution to the plan.

(Optional) Please upload a resume.

Retirement Board Questions Only

Question applies to Police and Fire Retirement Plan Board,Federated City Employees' Retirement System

Please list your applicable experience or expertise relevant to public retirement plan administration. *

- ☒ Institutional investment experience
- ☒ Investment management

Question applies to Police and Fire Retirement Plan Board,Federated City Employees' Retirement System

Please summarize your qualifications to serve as a member of the Retirement Board? Briefly highlight your skills, training, education, qualifications, experience (licenses and/or certifications) and personal qualities that you will bring to the Board and share with the organization.

Qualifications include: * 27 years of investment management experience encompassing portfolio and risk management, trading, research, and product development. * Experience in working with pension plans in developing investment strategies and risk guidelines. * In depth knowledge of all major asset classes and capital markets, in particular fixed income market. * Education: Master in Business Administration with emphasis in finance. * Certification: CFA * Personal Qualities: Thoughtful, analytical, and highly inquisitive. I like to weight the pro's and con's before making a decision.

Question applies to Police and Fire Retirement Plan Board,Federated City Employees' Retirement System

Please discuss your pension plan and/or investment management and oversight experience including the development of key financial policies.

My prior work experience was in the institutional investment management area. We managed money for large institutional clients many of which are pension plans. Many of the portfolios/strategies that we managed were developed with policies that were consistent with the objectives of these plans. Related to oversight, as an executive in my previous firm, I sat on many oversight committees, including risk, trade oversight, and investments.

Question applies to Police and Fire Retirement Plan Board,Federated City Employees' Retirement System

Please describe your understanding of the relationship between the Retirement Board and City Council? The City Administration? Retirement Services staff? Employee bargaining units? Plan participants and beneficiaries?

I understand that the City Council makes the funding decisions for the plan, and as such, there is a good communication channel between the board and the City Council. The Retirement Service staff led by its CIO is responsible for executing the investment strategy of the plan and communicates with the board providing it with investment performance and updates. The board is the fiduciary for the plan participants and beneficiaries; it also determines employee's eligibility for benefits. Employee bargaining units will have impact on the plan as it determines the future benefits of their members.

Question applies to Police and Fire Retirement Plan Board,Federated City Employees' Retirement System

What do you perceive as the short and long-term goals of the Retirement Board?

Long term goal is to grow the assets of the plan so that it can meet future benefit payments. Short term, it needs to have liquidity to meet the shorter dated liabilities of the plan.

Question applies to Police and Fire Retirement Plan Board,Federated City Employees' Retirement System

Do you believe that the retirement funds that are invested by the retirement boards are public funds? Why or why not?

To the extent that contributions come from the City Council through public funding, one can consider the fund as public. However, the city does have a contractual obligation to pay benefits to the employees/members of the plan. As such, it is hard to imagine that the city could access the fund to pay for other purposes in a fund that is underfunded.

Question applies to Police and Fire Retirement Plan Board,Federated City Employees' Retirement System

Have you read the report by the City Auditor entitled, “Pension Sustainability: Rising Pension Costs Threaten the City’s Ability to Maintain Service Levels?” This report is available at: <https://www.sanjoseca.gov/DocumentCenter/View/3208>

☒ Yes ☐ No

Question applies to Police and Fire Retirement Plan Board,Federated City Employees' Retirement System

If so, how is this report applicable to the work you would do as a Retirement Board Member?

First and foremost, I would focus on ways to minimize costs/fees to maximize returns to the fund. Then, I would like to explore reasons for the underperformance of the fund relative to peers.

Question applies to Police and Fire Retirement Plan Board,Federated City Employees' Retirement System

How do you ensure that you are maintaining an in-depth and up-to-date knowledge of institutional investing and the capital market environment?

I continue to maintain my Certified Financial Analyst (CFA) designation as I still have great interest in current research in institutional investing. I also keep up with events in the capital markets as I'm still active in managing my own personal portfolio.

Question applies to Police and Fire Retirement Plan Board,Federated City Employees' Retirement System

Given the current status of the capital markets, where do you see opportunities to increase return and reduce risk in the pension portfolios? What is your experience with risk budgeting?

The biggest issues confronting capital markets are inflationary pressures and the raise in interest rates. Inflationary pressure is causing the Fed to quickly reevaluation its future course of interest rate movement. This has led to a rapid raise in market interest rates, with the ten-year Treasury moving from the mid-1% level to over 3% within the span of a few weeks. This change in rates has caused equity markets to reprice as well, with equity bond relative value skewing more toward bonds, As a result of these macro factor changes, the only thing that is certain will be an increased level of volatility in all capital markets. As for opportunities in this environment, my belief is that staying conservative is not a bad course of action. The increase in interest rates has also increased term risk premia, and therefore, fixed income securities are now more attractive than before. As a result. staying with a balanced 60/40 or even 50/50 mix is a good mix for the foreseeable future. Related to risk management, I have extensive knowledge in this area. I have applied risk management concepts in working with clients and consultants in the institutional space. This includes using risk budgeting techniques in constructing portfolios.

Question applies to Police and Fire Retirement Plan Board,Federated City Employees' Retirement System

Please describe your views on the role of asset allocation and provide detail on your recommended asset classes and proportions for pension funds like those serving the employees of the City of San Jose.

Asset allocation is the most important determinant of portfolio return. Most pension funds have stayed pretty consistent with a 60/40 mix in the past. With the recent low interest rate environment, pension plans had taken a more aggressive mix of 70/30 or higher as interest rate term premia were not attractive. Now that the macro environment has changed, keeping a more conservative mix like 60/40 or even 50/50 may be more ideal/optimal. From my experience, an environment with greater uncertainties generally meant taking a more conservative stance. If we also take into consideration the valuation level of most major asset classes, a conservative stance is even more appealing.

Question applies to Police and Fire Retirement Plan Board,Federated City Employees' Retirement System

Should pension plans like those in San Jose invest in alternative investments such as private equity, commodities, infrastructure or separate account real estate? If so, how? If not, why?

The issue with alternatives is that they generally have higher fees and higher variability in returns. If the potential or expected return is high enough to overcome these hurdles, then alternatives should or could be considered. In other words, valuation matters as well as risk/return characteristics. From my experience, investors tend to chase returns, and most of the time, this is a losing proposition for this asset class. Having said that, I'm open to investing in alternatives where the fee structure is more investor friendly and the variability of return is low.

Question applies to Police and Fire Retirement Plan Board,Federated City Employees' Retirement System

How would you evaluate an investment manager? When would you terminate an investment manager? How should due manager diligence be conducted?

I would evaluate investment managers based on performance - his/her ability to meet return targets within the expected risk tolerance. Also, the manager should stay consistent to the investment approach/style. Termination should be considered if pre-established standards are not met over a period of time. I also expect that due diligence is performed by investment staff and/or consultant.

Question applies to Police and Fire Retirement Plan Board,Federated City Employees' Retirement System

What should be included in a pension plan's statement of investment policies? Please address the roles of trustees, staff, consultants, investment managers and custodians in asset allocation, portfolio structure, manager selection and due diligence, rebalancing, reporting and analysis.

Investment policies typically include portfolio expected return/alpha, risk tolerance, portfolio restrictions and limitations. My expectations of the roles of the different parties are: Asset Allocation: consultant and staff, with approval from trustees Portfolio Structure: investment managers Manager selection: consultant and staff, with approval from trustees Due Diligence: consultant and staff Rebalancing: staff and investment manager Reporting and analysis: staff and consultant

Question applies to Police and Fire Retirement Plan Board,Federated City Employees' Retirement System

Individuals applying for appointment as public members of the Board are ineligible for appointment to the Board if they meet certain criteria. Please confirm if you meet any of the following criteria:

None Selected

Question applies to Police and Fire Retirement Plan Board,Federated City Employees' Retirement System

Have you ever been convicted of a misdemeanor within the past five years or a felony within the past ten years (except for minor traffic offenses that resulted only in a fine)?

☐ Yes ☒ No

Question applies to Police and Fire Retirement Plan Board,Federated City Employees' Retirement System

If yes, please explain in complete detail. State the nature and approximate date of the conviction, the sentence imposed, whether the sentence has been completed, and any other information you consider relevant.

Question applies to Police and Fire Retirement Plan Board,Federated City Employees' Retirement System

Are you or your firm currently or within the past five years been the subject of any litigation or claims resulting from any investment activity, advice, a fiduciary relationship, or regarding alleged financial improprieties?

☐ Yes ☒ No

Question applies to Police and Fire Retirement Plan Board,Federated City Employees' Retirement System

If yes, please provide details.

Question applies to Police and Fire Retirement Plan Board,Federated City Employees' Retirement System

Are you or your firm currently or within the past five years been the subject of any investigation or disciplinary action by any governmental and/or regulatory body (SEC, NASD, states Attorney General or Insurance Commissioner, etc.)?

☐ Yes ☒ No

Question applies to Police and Fire Retirement Plan Board,Federated City Employees' Retirement System

If yes, please provide details.

Verification

By checking the box below, you agree with the following statement.

I agree that all of the information contained in my responses to the questions on this application are true and accurate to the best of my knowledge. I further agree that, by checking the box below and submitting this application, online or otherwise, I am affixing my digital signature to this form as of the date submitted.

☒ I Agree *