

Boards and Commissions Application

Profile

Lionel

First Name

Allan

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?

Federated City Employees' Retirement System: 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**

None Selected

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

☒ N/A - Retirement Board Applicants Only

Street Address		Suite or Apt	
City	State	Postal Code	
Primary Phone	Alternate Phone		
Employer	Job Title		

n/a

n/a

n/a

Retired Realtor

Social Security

Age Group	Percentage
18-24	25%
25-34	95%
35-44	90%
45-54	92%
55-64	90%
65-74	22%
75-84	18%
85-94	8%
95-104	0%

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.

A.B., in Political Science, University of Michigan, 1965 J.D., Stanford Law School, 1968

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

Mayor, City of Monte Sereno, 2015-16 Chair, Santa Clara County Civil Grand Jury committee on San Jose's Unfunded Pension Liabilities Faculty, Stanford Rock Center for Corporate Governance, 2004-16 Chair, The Harker School, 2002-10

Languages Spoken

English; some French

Special Awards or Recognitions Received

Elected to American Law Institute (ALI), 1989

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. If you are applying for the Board of Fair Campaign and Political Practices, please indicate any familiarity or experience you may have with campaign laws.

Given the 8 months that the Civil Grand Jury studied the Federated City Employees' Retirement System, it became clear to me that the Board of Administration must reduce investment fees and expenses while increasing investment earnings, which goals I would work to achieve as a member of the Board.

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

Law Clerk to Chief Judge Robert F. Peckham, U.S. District Court, N.D., California Also please see www.lonallan.com

Do you own property in the City of San José?

☐ Yes ☒ No

If yes, please list the addresses here.

n/a

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.

n/a

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.

n/a

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

Professor Joe Grundfest

Reference 1 Address

Stanford Law School

Reference 1 Phone

[REDACTED]

Reference 2 Name

Former Monte Sereno Mayor Marshall Anstandig

Reference 2 Address

San Jose Mercury News

Reference 2 Phone

[REDACTED]

Supplemental Questions

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.

Monte Sereno City Council Monte Sereno Site & Architectural Commission (i.e., Planning Commission)
Santa Clara County Civil Grand Jury Board of Directors of 4 public companies

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

Chair, 4 non-profit boards (KTEH, Harker School, Villa Montalvo, Silicon Valley Directors' Exchange)
Chair, Middle Market and Small Business Committee, American Bar Association Captain, JAGC, USAR,
1968-74

What is your understanding of the purpose of the Commission?

The Board of Administration is responsible for the proper administration of the Federated City Employees' Retirement System to insure that retirees receive the defined benefit pensions that they've earned by their service to the City of San Jose.

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

(1) the Federated Systems is only about 51% funded which requires annual contributions from the City's General Fund to cover shortfalls; (2) annual investment fees and expenses are very high compared to investment earnings; and (3) annual investment earnings are low compared to pensions of comparable asset size.

I would like to say . . .

If appointed, I would like to work with my colleagues on the Board of Administration to address these issues, specifically the high fees and expenses paid to investment advisors and the low investment earnings compared to comparable pension plans.

(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. *

- ☒ Legal
- ☒ College or university professor (focus on fiduciary or trust law, quantitative background in financial theory or actuarial math)

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.

I served as Chair of Civil Grand Jury Committee on San Jose's Unfunded Pension Liabilities; Faculty, Stanford Rock Center for Corporate Governance; Licensed attorney, State of California, 1969 to 2019. See complete c.v. at www.lonallan.com

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.

As Mayor of the City of Monte Sereno, I successfully addressed the City's unfunded pension liability to CalPERS. I also served as Audit Committee Chair of 2 public companies.

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?

The City Council appoints the public members of the Federated Board as well as the members nominated by the employees, retirees and the Board itself. The Council also negotiates retirement benefits with the 9 bargaining units covered by the Federated System. The Board in conjunction with the Police & Fire Board engages the CEO of the ORS. The Board administers the Federated City Employees' Retirement System for the benefit of the employees and retirees of these 9 bargaining units.

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, to make the Federated System self-sufficient without the need of annual contributions from the General Fund to make up shortfalls; short term, to reduce the investment fees and expenses while increasing investment earnings.

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?

The funds are held by the Retirement System in a fiduciary capacity for the employees and retirees of the 9 bargaining units covered by the Federated Retirement System. As the City is responsible to cover any shortfalls in contributions and/or investment earnings, the funds may be considered to be public.

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?

The Federated Board must work to reduce the high cost of investment fees and expenses while also working to increase annual investment returns.

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?

Faithfully attend all Board meetings, carefully study all Board materials, and attend programs on public pensions systems. I also read the Wall Street Journal on a daily basis.

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?

As covered in the Wall Street Journal and elsewhere, public pension funds have had an unsuccessful experience with expensive alternative investment categories. I would work with my colleagues on the Board to re-visit current policies.

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.

60+ investment advisors and \$70,000,000 in investment fees and costs for "fancy" investment products has not produced the investment returns that San Jose's two pension plans projected.

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?

Given the poor investment results compared to the high costs and fees, I would like to work with my colleagues in re-evaluating the existing allocations.

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 like the Board to annually review investment performance compared to pension plans of comparable asset size and comparable demographics.

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.

The buck starts and stops with the Board of Administration. The Board is accountable to the employees and retirees of the 9 bargaining units to insure that all pensions are fully paid.

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.

n/a

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.

n/a

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.

n/a

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 *

Boards and Commissions Application

Profile

Spencer

First Name

Horowitz

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?

Federated City Employees' Retirement System: 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**

☒ 6 or more years

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

☒ District 6

Street Address

SAN JOSE

City

Suite or Apt

CA

State

95125

Postal Code

Home: [REDACTED]

Primary Phone

Mobile: [REDACTED]

Alternate Phone

Self-Employed

Employer

Business Development
Consultant

Job Title

Current Employer Address

Current Employer of Spouse

Gteg Haupt Farmers Insurance

Address of Current Employer of Spouse

Spouse's Job Title

Admin

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

None.

[REDACTED]
 [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.

Kellogg Graduate School of Management Northwestern University, Evanston, Illinois. 1985-1987. MBA in Finance & Managerial Economics, with Honors, 1987. Kean College, Union, New Jersey. 1982-1984. BS in Computer Science, with Honors, 1984. Academy of Aeronautics, LaGuardia Airport, New York. 1980-1981. AAS in Aeronautical Engineering Technology-Electronics, with Honors, 1981.

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

Appointed by the Santa Clara Valley Water District Board of Directors as a Board member of the Public Facilities Financing Corporation (FPPC), 2018 – present. Twice appointed by San Jose City Council to serve on the Airport Commission. Responsible for operational oversight and policy review for the San Jose International Airport (SJC), 2010 - 2015. Elected vice-chair by fellow commissioners, 2015. Appointed to the Measure G Citizen's Bond Oversight Committee for the San Jose Evergreen Community College District, 2010 – 2013. Twice appointed by San Jose City Council to the Small Business Development Commission, 2003-2007. Elected Chair by fellow commissioners, 2006. Appointed to Board of Directors for Chai House, a 140-unit non-profit residence for low-income seniors, 2005 – 2008.

Languages Spoken

English, elementary Spanish.

Special Awards or Recognitions Received

Selected for USAID-sponsored economic advisory mission to the Romanian high-tech industry, 1999. Featured speaker at INET99, Internet Society Global Summit, San Jose, 1999. Featured speaker at "Alliance Forum" technology investment conference, Tokyo, 1996. Voting member of Semiconductor Industry Association Market Statistics Committee, 1989 - 1993. Elected Committee Chair, 1993.

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. If you are applying for the Board of Fair Campaign and Political Practices, please indicate any familiarity or experience you may have with campaign laws.

I hope to contribute my efforts and knowledge to assist the Pension Plan to achieve the highest possible return, consistent with a prudent level of risk. I hope to ensure that fees paid to active investment advisors and investment funds can be justified by their superior performance relative to the appropriate benchmarks for passive investment in comparable assets classes.

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

Do you own property in the City of San José?

☒ Yes ☐ No

If yes, please list the addresses here.

[REDACTED]

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 scopr 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

Honorable Julia Alloggiamento

Reference 1 Address

[REDACTED]

Reference 1 Phone

[REDACTED]

Reference 2 Name

Prof. Renate Fruchter, PhD.

Reference 2 Address

Jerry Yang & Akiko Yamazaki Environment & Energy Building 473 Via Ortega, Room 311, MC 4020
Stanford University Stanford, CA 94305

Reference 2 Phone

[REDACTED]

Supplemental Questions

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.

I have been appointed to serve on two San Jose commissions: the small business development commission and the airport commission. In each case I maintained a record of full attendance and active contribution. I was honored by my fellow commissioners on each board by my election to serve as Chair (Small Business) and Vice-Chair (Airport).

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

In addition to serving in an oversight and analysis role, my proven communication skills enable me to serve the board by assuming an active role in any required written communication with stakeholders, city officers, councilmembers and the public.

What is your understanding of the purpose of the Commission?

The Board serves an oversight role for the City Employee Pension Plan.

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

It has been well documented by many academic studies that active investment strategies fail to consistently match the performance of passive investment benchmarks. In so far as the plan utilizes active investment advisors/funds—and pays the higher fees active managers typically charge—the Plan Board should ensure that these higher fees are fully justified by the performance achieved. It may be tempting in the current low interest rate environment to ‘reach’ for yield in order to achieve desired returns. The Plan Board should be prudent in assuming risk, and ensure the plan is appropriately compensated for the level of risk that it assumes. At the same time the Plan Board should assume the level of investment risk necessary to achieve its objectives without unduly burdening the taxpayers of San Jose. Risk is involved with all investment, especially equity investment, and risk cannot be entirely eliminated to achieve the required returns for long-term plan growth.

I would like to say . . .

(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. *

☒ Other

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.

I believe I would bring a unique blend of capabilities to my responsibilities as a board member. With formal academic training in economics and finance, I have the necessary background to ask probing questions of investment advisors and to critically analyze the complex data they present. At the same time, as someone with a career outside of formal investment management, I bring an independent, data-centric viewpoint to the analysis of investment recommendations.

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.

A lifetime student of the financial markets, I have achieved for my family a ten-year annual rate of return exceeding 7.5% by executing a conservative asset allocation strategy utilizing low-cost passively managed mutual funds and ETFs.

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?

The Retirement Services staff is the specific city department responsible for managing the pension plan, reporting to the City Administration, which, in turn, is answerable to the City Council. Employee bargaining units represent the interests of plan participants and beneficiaries.

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?

Short-term goals include maintaining sufficient liquidity to cover current plan liabilities. Long-term the board must seek to obtain the highest possible return consistent with prudent risk taking, so as to meet the obligations to retired city employees.

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?

Retirement funds are 'public' in so far as they serve a public purpose—namely the recruitment and maintenance of a high-quality city staff. However, the funds are segregated from other city accounts, and are not available to serve any other public function; they are exclusively to be used for the payment of retiree benefits.

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?

The City of San Jose, like municipalities and States all across the nation, faces a challenge of underfunded pension liabilities. The fundamental challenge of defined benefit plans is to accumulate sufficient assets to pay their full obligations. If this cannot be achieved through investment in the public and private markets, any shortfall must be made-up by municipal tax payers.

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?

Reading a wide variety of financial publications is my daily avocation. My go-to sources include the Wall Street Journal, Barron's, the Economist, Financial Times, Bloomberg, as well as blogs from Barry Ritholz, Ray Dalio, Matt Levine, Ben Carlson and others. These blogs, in turn, often link to relevant articles in other publications.

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?

I think it important to not overly react to current fluctuations in the market. Long-term results are best achieved by consistent application of a pre-determined asset allocation strategy. Currently (as of July 31), we do appear to be at an inflection point in the interest rate cycle (as the Fed is lowering short term rates for the first time in ten years), therefore I believe it would be prudent to extend the duration of the plan's short term fixed income assets. As a former engineer, and as someone that takes a data-driven approach to investing, I would be very eager to explore the insights offered by risk budgeting for portfolio construction.

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 will have more effect on the overall investment return of the pension plan than any other decision. In the long run, asset allocation decisions are more consequential than decisions about individual assets (stock, bonds, etc.). It is well documented that long run investment growth requires significant allocation to equity investment. Unless plan managers/advisors can document strong statistical support for alternative asset classes, domestic and foreign equity should probably comprise a minimum of 75% of plan assets.

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?

Alternative asset classes can comprise an important portion of a portfolio, especially if their returns are un-correlated with traditional equity and fixed income. That said, many private equity and other specialized funds have recently failed to match the returns offered by passive equity investment, with the additional cost of significant fees. I believe the Board should approach such investments with great prudence and data-driven due diligence.

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 believe managers must meet two key criteria. 1) Their investment philosophy/approach should offer some quantifiable benefit (higher returns or reduced risk or both) vs. passive investment in the same asset class; they should be able to document a track record to substantiate this advantage, and 2) They must demonstrate the highest possible standards of ethical and transparent operation.

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.

The pension plan's official Investment Policy Statement should conform to the best practices outlined by the Government Finance Officers Association (GFOA), which addresses roles, responsibilities, standards of care, investment suitability, internal controls, performance and reporting standards.

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 *

Boards and Commissions Application

Profile

John

First Name

Klobe

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?

Federated City Employees' Retirement System: 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**

☒ 6 or more years

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

☒ N/A - Retirement Board Applicants Only

Saratoga

City

CA	95070
State	Postal Code

Mobile: [REDACTED]
Alternate Phone

Retired
Employer

N/A

Job Title

Current Employer Address

N/A

Current Employer of Spouse

None

Address of Current Employer of Spouse

N/A

Spouse's Job Title

N/A

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

[illegible]

☒ _____

☒

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.

EDUCATION: Blake High School, Hopkins, MN University of Minnesota. B.A. 1976. Economics
LICENSES: Series 7, 65, 63, 3, 8, 9, 10 RESIDENCY: 28 year resident of Santa Clara County

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

Treasurer, Santa Clara County Grand Jurors' Association. 2018 - current

Languages Spoken

Special Awards or Recognitions Received

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. If you are applying for the Board of Fair Campaign and Political Practices, please indicate any familiarity or experience you may have with campaign laws.

The unfunded liabilities of the Federated Pan and its grasp on the City's general fund demand immediate attention. With my financial background, an already gained understanding of the issues through my years of civil grand jury service and a full commitment to engagement and preparation, I am ready for the role. My candidacy brings a more inclusive perspective to the public Board members already represented well by VC and private equity professionals. I see an opportunity to create a simpler, nimbler, more efficient and cost effective Plan infrastructure and investment management process.

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

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 scopr 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

Peter Hertan

Reference 1 Address

[REDACTED]

Reference 1 Phone

[REDACTED]

Reference 2 Name

Dean Duffy

Reference 2 Address

[REDACTED]

Reference 2 Phone

4 [REDACTED]

Supplemental Questions

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.

Member. Santa Clara County Civil Grand Jury. 2017-2018 Member. Santa Clara County Civil Grand Jury. 2018-2019. (asked by court and jury to serve an additional year because of my previous year's contributions)

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

A 35 year career in the financial services industry, the personal experience of a fiduciary/trustee in multiple trust structures, and an existing knowledge of the Plan and its current issues gained through service on the civil grand jury provide a foundation for me to make a contribution through my hands-on, collaborative style. My civil grand jury service illuminated to me the importance of strong governance in every organization. Without preparation, full immersion and total commitment, the Board member fails the citizenry.

What is your understanding of the purpose of the Commission?

To ensure that the Plan's assets can satisfy the City's obligation to pay the negotiated benefits to its plan members and beneficiaries by achieving long term results in excess of the actuarial investment return assumption.

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

- Formulating a strategic plan to reduce the unfunded liability of the Federated Plan and the burden on the City's general fund. - Creating a simpler infrastructure for the Federated Plan investment process that reduces fees, number of investment managers and increases utilization of passive investment options. - Instilling a more innovative, action oriented culture within the Board and ORS environment that is less dependent on traditional methodologies and readily embraces the innovations that many pension plans are adopting with success.

I would like to say . . .

(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. *

☒ Investment management

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.

I bring 32 years of management experience with one of the world's largest asset managers, Fidelity Investments. My California tenure included the build out of Fidelity infrastructure in Santa Clara County and hiring of teams to provide investors with first class guidance and advice through portfolio construction. In this capacity, I interacted with numerous money managers who were accessible to our private wealth clientele. Additionally, I managed teams who supported plan participants of Fidelity sponsored retirement plans such as Hewlett Packard and Stanford University. I have broad experience with employee and manager performance assessments. I recently completed my second consecutive year of service on the Santa Clara County Civil Grand Jury. It is clear that good governance is a function of board member's preparation and engagement. I bring both to every endeavor I commit to. In the past 18 months, I have become familiar with the issues that the Federated Plan faces. I have attended 12 Board meetings and workshops including joint sessions with the City Council. I have meticulously read the presentations from Cheiron, Meketa, Verus and the multiple investment managers. As a new board member, I would require minimal ramp up time with my existing strong understanding of the process, players and issues. Furthermore, as a recent retiree, I bring no potential conflict to the Board. I have no need to network, seek business opportunity or add to my resume through community service. Perfect attendance is a given without the demands of outside employment.

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

As a Fidelity management employee, I oversaw offices with over \$50B assets under management and had the responsibility to supervise the employee/client relationship. The guidance and advice proposition involved asset allocation and risk mitigation principles that are utilized throughout the financial services industry. On a personal level, I have served as trustee on multiple high value trusts including defined benefit trusts, life insurance trusts, exemptions trusts, GST trusts, and living trusts. As a fiduciary acting on behalf of the beneficiaries, I had to establish investment parameters consistent with modern portfolio theory.

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?

The Retirement Board maintains exclusive control of all investments of the Plan. In its fiduciary capacity, the Board establishes investment objectives, strategies and policies. The Board is appointed by the City Council and has direct management responsibility for the CEO. The Board does not oversee the ORS staff. City Administration provides budgetary and administrative support to ORS. ORS staff provides administrative support to the Board and supports the needs of plan participants and beneficiaries. The Board remains independent of the employee bargaining units who negotiate retirement benefits on behalf of the plan participants.

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

The Federated Plan is a mature plan and as such, has significant short term (5 yr) requirements to meet benefit obligations, primarily to its Tier 1 retirees and beneficiaries. Cash flow requirements over the next 5 years require Plan management to preserve liquidity and risk off strategies. This obligation and its required prudent management will impact the overall return of the Plan assets. On a longer term basis, the Retirement board must consider strategies to reduce the unfunded liabilities of the Plan. Further action to reduce the discount rate is in order due to realistic return assumptions negatively impacted by decreasing returns in the credit markets. Although actuarial determined annual employer contributions would rise with a discount rate decrease, the interest on the unfunded liability would decrease. Whether short term or long term, the Retirement Board is governed by its fiduciary standard to ensure delivery of promised benefits to its members.

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

Federated Plan assets belong solely for the benefit of the plan members and their beneficiaries whether present or future, active or retired. The Board has the fiduciary responsibility, on behalf of the plan members, to administer the plan per its governing documents, manage prudently its investments and ensure the timely delivery of promised benefits and services to its members.

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

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

Every effort must be made by the Board to generate stronger investment results from the Plan's assets to mitigate the increasing percentage of the general fund that the City now contributes to the Plan. The percentage of the general fund currently allocated to retirement costs is approaching 30% and without increased contribution from the Plan's assets, certain city services are threatened. It is a delicate exercise as present cash flow needs for member benefits place extra emphasis on risk management. Every area of Plan management must be explored from administrative expense/investment fees to revisiting the discount rate and strategy to pay down the unfunded liability.

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

The Federated Plan through its investment consultants, actuarial consultant, risk consultant and separate account managers provides a wealth of detailed information that board members must review and fully comprehend to be an effective member of the governance team. There is much detailed information that requires a commitment to exacting preparation. As importantly, board members must avail themselves of continuing education through workshops and training as well as professional websites such as Pensions & Investing.

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?

Opportunities exist in private equity and private debt to enhance overall portfolio returns; however, such investments carry limited transparency that requires extra due diligence to monitor underlying investments. Fee compression has begun to enter the institutional investment space and provides pension funds greater opportunities to reduce fees through more forceful negotiations. Greater leverage of passive strategies and review of custodial relationships offer opportunities to continually reduce fees that impact portfolio returns.

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.

Prudent asset allocation is one of the key determinants of portfolio performance. As importantly, diversification through asset allocation serves to minimize portfolio risk and thereby, limiting exposure to employer required contributions to the plan. The Plan's current asset allocation is prudent considering its short term and longterm obligations. The critical factor in its asset allocation is the selection of sub asset classes within its broader asset allocation strategy. For example, in review of its global equity allocation, it is clear that returns have suffered due to underrepresentation of U.S. equities. The Plan's investment consultants should be challenged in their recommendations to the Board and CIO.

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?

Alternate investments do deserve an allocation within pension plan trusts; however, because of the complexity of the fee structures, liquidity issues and relatively higher costs than traditional investments, much scrutiny and due diligence is required both on an initial and ongoing basis.

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

Investment managers should be evaluated at a minimum, on a quarterly basis with specific focus on performance against the appropriate benchmark and performance relative to peers. Consideration should also be placed on the objective of the investment manager and any extraordinary event such as the loss of key personnel, regulatory action, sale of the firm. Consistent underperformance or failure to meet contract terms of the investment agreement should precipitate immediate "watch" status with an action oriented bias towards termination.

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.

The statement of investment policy governs the management of the Plan's assets. The policy should include the fiduciary standards for all responsible parties, fund governance, investment objectives/philosophy, asset allocation, diversification, rebalancing, delegations of authority to CIO/staff, investment costs and fees, hiring/monitoring/terminating of investment managers, market valuations and prohibited transactions. The Board has full responsibility for the Plan's asset management. The Board creates the investment policy statement that all responsible parties adhere to. The investment staff handles the day to day operations and together with the investment consultants, performs the due diligence of recommending investment managers, monitoring investment manager performance, and reporting performance results to the Board. The custodian custodies the assets of the Plan and executes financial transactions upon direction of the Plan.

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

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 *