

## **MINUTES OF THE RETIREMENT BOARD**

**January 21, 2016**

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A regular meeting of the Retirement Board convened on Thursday, January 21, 2016 at 8:35 a.m. in the Large Training Resource Center (TRC) Room. The meeting was called to order by President Doug Higashi.

**Roll Call** – The following Retirement Board Members were present: Alex Coate, Doug Higashi, Tim McGowan, Frank Mellon, Marguerite Young, and Lisa Ricketts.

The following staff members were present: Elizabeth Grassetti, Scott Klein, Lourdes Matthew, Sophia Skoda, and Lisa Sorani.

### **PUBLIC COMMENT**

Frank Hicks, an EBMUD retiree since 2013, spoke regarding retiree health costs, stating that costs have gone up significantly since 2004 when the HIB was last raised. He said that retirees are preparing a chart regarding the rate on increases they are experiencing and will be presenting these items for the next Retirement Board meeting.

Sara Cleveland, also an EBMUD retiree, spoke regarding the lack of HIB increases while retiree medical expenses continue to increase.

Board Members indicated that they are aware of the rising health insurance costs and that any increase to the HIB would need to be approved by the Board of Directors.

### **CONSENT CALENDAR**

1 - 4. **Consent Calendar** – A motion was made by Marguerite Young and seconded by Tim McGowan to approve the Consent Calendar. The motion carried (5-0) by the following voice vote: AYES (Coate, Higashi, McGowan, Mellon, Young), NOES (none), ABSTAIN (none), ABSENT (none).

### **ACTION**

5. **Adopt the Actuarial Valuation of the Retirement System as of June 30, 2015** – Andy Young and Dirk Adamsen from Segal presented the Actuarial study and reviewed the contribution rates for FY 2017. The combined District contribution rate was calculated at 41.28% for the 1955/1980 Plan and 34.37% for the 2013 Plan. The actuaries reviewed the highlights, discussing how all losses from 2008 have now been recognized, but that the fund didn't earn the assumed rate of return of 7.5% in 2015. With asset-smoothing, this year's returns were mitigated for the year, but lower earnings levels are currently being experienced which will result in higher contribution rates in the future. They also reminded the Board that the Quadrennial study will take place this year in July.

Staff recommended that contribution rates for FY 2017 remain the same as the FY 2016 rates. Frank Mellon moved that the actuarial report be accepted and that the staff recommendation regarding contribution rates be forwarded to the Board of Directors for approval. Alex Coate

seconded the motion. The motion carried (5-0-0) by the following voice vote: AYES (Coate, Higashi, McGowan, Mellon, Young), NOES (None), ABSTAIN (none), ABSENT (none).

**6. Declaring the Interest Rate to be Credited to Member's Contributions for the Period Ending December 31, 2015** - The Ordinance requires that the semi-annual interest rate credited to Member contributions be the lesser of the actuarially assumed rate of interest or the five-year average rate of return on Retirement system investments. Currently, the assumed interest rate is 7.5% and the five-year rate of return was 13%; therefore, Member accounts will be credited with the prorated semi-annual rate of 3.75%. Alex Coate moved the recommendation and it was seconded by Marguerite Young. The motion carried (5-0-0) by the following voice vote: AYES (Coate, Higashi, McGowan, Mellon, Young), NOES (None), ABSTAIN (none), ABSENT (none).

**7. Authorize a Study on Death Benefits for Members Eligible to Retire** – In response to a request from the Retirement Board at the November meeting, Retirement system staff surveyed other public retirement systems to see what death benefits they provided to Members who were eligible to retire. The Board directed Staff to look into allowing pre-selection of existing optional benefits in case of death while eligible to retire. It was determined that an actuarial study would be needed to determine the cost of allowing the pre-selection at retirement eligibility of a survivor benefit. The study would be performed by Segal and would cost in the range of \$5,000 to \$7,000. Frank Mellon moved to authorize the study and Doug Higashi seconded the motion. The motion carried (5-0-0) by the following voice vote: AYES (Coate, Higashi, McGowan, Mellon, Young), NOES (None), ABSTAIN (none), ABSENT (none).

## **INFORMATION**

**8. 3rd Quarter Performance Review as of September 30, 2015** – Eric White from PCA presented the report. The fund was down 5.2% for the quarter at \$1.33 billion. The one-year return was 0.1%. The fund was positive for the 3, 5, 10 and 20-year periods. The fund was underweight in international equities and overweight in Real Estate and Covered Calls, both which have been doing well. The Board requested that the actual Index values for benchmarks be included in the report and that preliminary financial results be made available to Board Members and published on the website.

**9. Financial Advisory, Actuary and Actuarial Audit Services** - Sophia Skoda updated the Board on the status of contracts for both PCA and Segal. Both have been renewed for the year and staff is working with PCA to select firms to do an actuarial audit. Board Members requested that staff survey other agencies to see if costs for actuarial and financial services are similar to other systems.

**10. CEM Benchmarking Results** - Sophia Skoda presented the results of the CEM benchmarking. The retirement fund was among the smallest 10% of firms in the survey group of 57 funds. The overall report was positive with the fund's returns similar to the median fund at 7.7% with lower than average investment costs at 35.8 basis points. The system's asset risk was 10.5% which was higher than the 9.6% median.

11. **Training Module – Proxy Voting and ESG Considerations** – Fassil Michael Global Head of Custom Research at Institutional Shareholder Services (ISS) was introduced by his colleague, Joshua Russell. Fassil presented information on proxy voting and ESG considerations. He discussed why proxy voting is important and the policy considerations used to determine how organizations vote their proxy's. He also reviewed the increase in ESG considerations in proxy voting decisions along with Say on Pay and director elections.

12. **Kaiser Senior Advantage Prescription Coverage** - Lisa Sorani reviewed the Kaiser Senior Advantage Formulary and explained that they change frequently. As a rule, Kaiser Pharmacists do consult with patients regarding changes, but Members can waive the consultation.

13. **Retirement Board Training Summary for 2015** – Elizabeth Grassetti provided a summary of training hours and expenses to the Retirement Board to assist them in complying with the Board Training Rule. Board Members asked that staff include credit for ethics and Brown Act training that Members receive.

#### **REPORTS FROM THE RETIREMENT BOARD:**

14. Brief report on any course, workshop, or conference attended since the last Retirement Board meeting.

None to report.

#### **ITEMS TO BE CALENDERED / UPCOMING ITEMS**

- UC Representative to speak on ESG at next meeting
- Staff to provide a Road Map on how to proceed on ESG
- Consider WAMCO watch status

**ADJOURNMENT** – Doug Higashi moved to adjourn the meeting at 12:51 p.m. and Frank Mellon seconded the motion; the motion carried (5-0) by the following voice vote: AYES (Coate, Higashi, McGowan, Mellon Young), NOES (none), ABSTAIN (none), ABSENT (none).

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President

ATTEST: \_\_\_\_\_

Secretary

03/17/2016