

## **MINUTES OF THE RETIREMENT BOARD**

### **November 20, 2014**

---

A regular meeting of the Retirement Board convened on Thursday, November 20, 2014 at 8:40 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: Tim McGowan, Doug Higashi, Frank Mellon, William Patterson and Alex Coate.

The following staff members were present: Dari Barzel, Rod Deiter, Elizabeth Grassetti, Peter Law, Lourdes Matthew, Eric Sandler and Lisa Sorani.

### **PUBLIC COMMENT**

There was no public comment.

### **ANNOUNCEMENTS FROM CLOSED SESSION**

The Retirement Board approved the disability retirement of Danny Smith (R.B Resolution No. 6809) by unanimous vote.

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

### **ACTION**

5. **Watch Status Updates** – Eric Sandler introduced the three sub-items and Neil Rue from PCA provided some comments on each action.

a) **Releasing RREEF II from watch status** - RREEF II has a stable team; has recovered from the real estate down-turn; and has been producing 5-6% income.

b) **Continue watch status for Barrow Hanley** - A value manager which tends to lag market. Is now starting to out-perform, returning 0.6% for the quarter and 8.2% for the year, which is expected.

c) **Placing Intech on watch status** - The motion was moved by Frank Mellon and seconded by William Patterson. The motion carried (5-0) by the following voice vote: AYES (Coate, Higashi, McGowan, Mellon, Patterson), NOES: (none), ABSTAIN (none) ABSENT (none).

### **INFORMATION**

6. **Quarterly Performance Report for Third Quarter 2014** – Neil Rue of PCA presented the quarterly performance report. The third quarter saw the first negative market in two years, but the portfolio outperformed the median fund due to the strategic shifts made by the Board. The portfolio was down 0.7% for the quarter with a value of \$1,341.2 million, but was ahead of the benchmark for all other time periods. Covered calls returned 1.4% for the quarter; domestic

equities had mixed results, returning 16.9% for the year; and fixed-income were way ahead, returning 3.9% for the year.

7. **Annual Retirement System Audited Financial Report** – Eric Sandler reviewed the report, stating that contributions were up 14% and active members were at 1,952, with 1,497 retirees. Funding levels were trending upward. The system's net assets were \$1,346.89 million as of June 30, 2014, an increase of \$222.56 million (19.79%) for the year. The retirement system received a unqualified opinion from its Auditor, Maze & Associates. This year's financial statements implemented GASB 67.

8. **Retirement Board Training Information** – Elizabeth Grassetti presented information on a survey of training policies from other California public pension plans and a draft training policy. The results of the survey showed that all plans had training policies for Board Members; that a minimum training requirement was standard; and that costs were considered a plan expense. Frank Mellon suggested that the employee tuition reimbursement program could be used to pay for board training, but it was pointed out that the program doesn't reimburse employees for conferences. Tim McGowan requested a specific process for getting training approval. Staff was asked to add to the draft policy to provide for how training is budgeted, approved and tracked.

9. **Benefit Plan Renewals for Calendar Year 2015** – Lisa Sorani briefly reviewed the medical premiums for 2015 – noting that Kaiser and ACWA Blue Cross plans had premium reductions.

10. **Disability Earnings Income Verification for 2014** - Elizabeth Grassetti reviewed the memo regarding disability retiree income verification. None of the 36 disability retirees earnings exceeded the safeguard which is a disability retiree's final monthly salary inflated by wage increases less their retirement allowance.

11. **Schedule of Retirement Board Meetings for Calendar Year 2015** – Staff presented the 2015 retirement board meeting schedule.

12. **Brief report on any course, workshop, or conference attended since the last Retirement Board meeting** – Frank Mellon reported that he attended the International Foundation conference in Boston and that there were more sessions on pensions this year. He also recommended that staff attend the Affordable Care Act (ACA) Academy.

Doug Higashi said he was interested in attending the CALAPRS General Assembly in Monterey.

Frank Mellon raised an issue regarding Franklin Templeton's position in regard to the priority of pension benefit payments in the City of Stockton bankruptcy proceedings. He encouraged the Retirement Board to take some action to respond to Franklin Templeton's position. The Board discussed the issue and requested that staff provide more information and the issue be discussed at a future meeting.

Frank Mellon also stated that he had forwarded a ruling from the State Attorney General to Jylana Collins, EBMUD's General Counsel, regarding whether elected Boards of Directors can participate in employee pension plans or if that constitutes a conflict of interest.

Tim McGowan asked staff to walk the board through on how the cost to purchase Temporary Constuction (TC) time is determined. He was concerned that the rate used was incorrect.

## **ITEMS TO BE CALENDERED**

- Explanation of purchase of service calculation for Temporary Construction (TC) time
- Information on Franklin Templeton and the City of Stockton
- Draft Retirement Board Training Policy
- Training Opportunities Schedule

**ADJOURNMENT** –William Patterson moved to adjourn the meeting at 10:15 a.m. and Tim McGowan seconded the motion; the motion carried (5-0) by the following voice vote: AYES (Coate, Higashi, McGowan, Mellon, Patterson), NOES: (none), ABSTAIN (none), ABSENT (none).

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

\_\_\_\_\_  
President

1/15/2015