

MINUTES OF THE RETIREMENT BOARD

March 21, 2013

A regular meeting of the Retirement Board convened on Thursday, March 21, 2013 at 8:34 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: Timothy McGowan, Doug Higashi, Lloyd Sawchuk, Frank Mellon, William Patterson, and Alexander Coate.

The following staff members were present: Lourdes Matthew, Eric Sandler, Wanda Hendrix, Delores Turner, Elizabeth Grassetti, and Scott Klein.

Others present were Andy Yeung from Segal, and Eric White from PCA,

PUBLIC COMMENT

There was no public comment.

- 1 - 5. **Consent Calendar** – A motion to approve the consent calendar was made by Frank Mellon, seconded by William Patterson and unanimously approved.

ACTION

6. **Selection of Asset-Liability Modeling Options** - Eric White of PCA presented three Asset-Liability Modeling Options – asset allocation review, standard mean-variance-based A/L study, and the Multi-dimensional A/L study. After a discussion on the merits and costs of each option, Frank Mellon moved that PCA do a standard mean-variance-based A/L study, and Alex Coate seconded the motion. The motion carried unanimously. There was a discussion on how soon the asset liability study could be presented, and it was determined that the study would be scheduled for the July 18, 2013 meeting.
7. **Remove Franklin Templeton Management from Heightened Monitoring** – Eric White from PCA updated the Board on the improved performance of the Franklin Templeton Fund. The Portfolio value was \$97 million as of December 31, 2012, and has outperformed its benchmark by 2.5% over the 1-year period. For the quarter ending 3/31/13 it returned 7.4% outperforming its benchmark by 1.5%. William Patterson moved acceptance of the Resolution, Doug Higashi seconded the motion, and the Retirement Board unanimously approved the motion.
8. **Determination of Retiree Cost of Living Adjustment** – Elizabeth Grassetti presented the annual retiree Cost of Living Adjustment (COLA) resolution. The COLA is based on the CPI-U all Urban for the Bay Area for the year ending December 31, 2013, which was 2.7%. Retirees with COLA banks will receive up to an additional 0.3%, bringing their COLA to a maximum of 3%. Frank Mellon moved approval of the resolution, Doug Higashi seconded the motion, and it passed unanimously.

INFORMATION:

9. Quarterly Performance Review as of December 31, 2012 – Eric White of PCA presented the quarterly performance report, noting that the portfolio's value as of December 31, 2013 was \$1.0 billion. During the quarter the portfolio increased by \$15.5 million dollars, and over the past year the portfolio increased by \$125.7 million, an increase of 14.2%. The portfolio also out performed over the 3-year period, with an increase of 9.4%.

Fixed Income has done well over the past one and three year periods, with returns of 7.2% for the year, and 8.4% for the past three years. Fixed Income is not expected to continue to earn these types of returns in the future as interest rates increase.

Opus, EBMUD's active small cap value manager, outperformed the Russell 2000 Index by 90 Basis Points over the quarter, but underperformed over the 1-year period.

EBMUD's International Equity managers have done a very good job recently, with Franklin Templeton exceeding the benchmark by 1.5% for the quarter, and Fisher outperforming by 1.1% for the same period.

RREEF II, EBMUD's Real Estate manager outperformed the benchmark for the quarter, returning 0.3%, and Urdang matched the benchmark for the quarter with returns of 2.2%.

10. **Timberland and Other Energy/Natural Resource Investment Options Partnerships** – Eric White of PCA presented information on two real return asset sub-classes, Timberland Investments and Natural Resource Investment Options. These Investments provide hedges against inflation and help diversify portfolios, and each come with their own unique set of return characteristics and risks.
11. **Analysis of HIB Benefit Improvement Costs from 2008** – The Board revisited a report from Segal, The District Actuaries, on the cost of increasing the Health Insurance Benefit (HIB) for retiree medical.
12. **Annual Information on retiree COLA and the Health Insurance Benefit** – Staff provided a report on the Retiree COLA and HIB, how the COLA compares with other public agencies, and how retiree pension benefits including the COLA and HIB have grown over the last decade.
13. **Election Schedule for Employee Member to the EBMUD Retirement Board** – Staff provided a schedule for the election of the Employee Member to the EBMUD Retirement Board. Douglas Higashi currently holds this seat on the Board.

REPORTS FROM THE BOARD - Frank Mellon reported that he will attend the International Foundation Conference next November in Las Vegas. He is especially interested in learning about the Affordable Care Act.

ITEMS TO BE CALENDERED

- Fixed income portfolio discussion item
- Real Return class

ADJOURNMENT – Frank Mellon moved to adjourn the meeting at 11:28 am, Doug Higashi seconded the motion and the motion was unanimously approved.

President

ATTEST: _____
Secretary

5/16/2013