EAST BAY MUNICIPAL UTILITY DISTRICT

Annual Employees' Retirement System Update

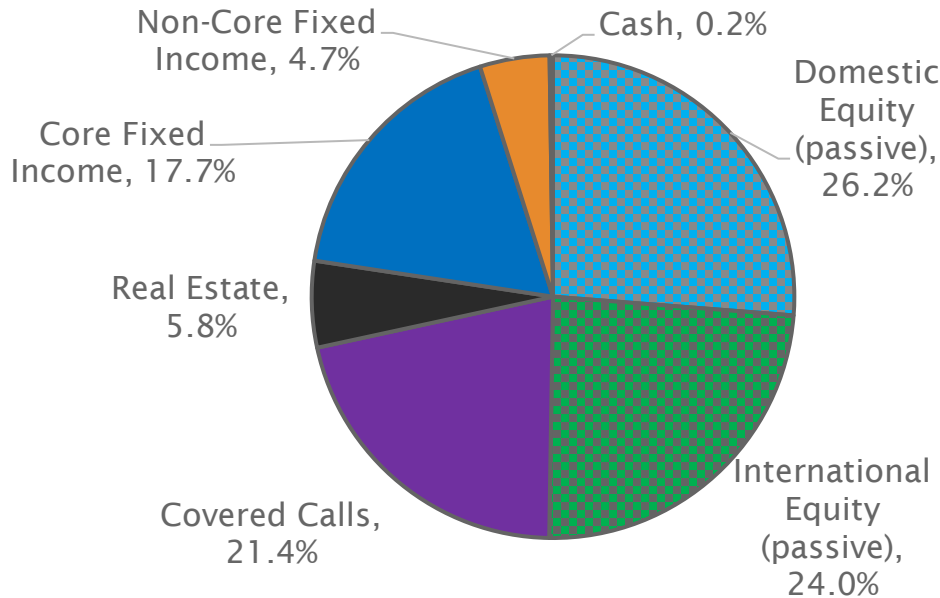Finance/Administration Committee
June 28, 2022

Agenda

- Portfolio Asset Allocation

- Portfolio Performance

- Actuarial Valuation Data

- Contribution Rates

- CEM Benchmarking Survey

- Environmental, Social, Governance Update

Portfolio Asset Allocation
(as of March 31, 2022)

Asset	Current ($)	% of Portfolio
Domestic Equity	604,635,219	26.2%
International Equity	553,306,041	24.0%
Covered Calls	492,077,769	21.4%
Real Estate	133,262,893	5.8%
Core Fixed Income	408,380,229	17.7%
Non-Core Fixed Income	107,490,551	4.7%
Cash	5,204,081	0.2%
Total	**2,304,356,783**	**100%**

Portfolio Performance
(as of March 31, 2022)

Asset Class	1-year	3-year	5-year	10-year	20-year
Domestic Equity	11.9%	18.2%	15.8%	14.4%	9.4%
International Equity	-1.0%	7.7%	6.5%	5.9%	6.6%
Fixed Income	-2.4%	2.4%	2.8%	2.7%	4.5%
Covered Calls	10.6%	11.6%	9.8%	--	--
Real Estate	26.0%	12.5%	10.7%	11.3%	--
Total Portfolio	**5.8%**	**10.4%**	**9.4%**	**9.4%**	**7.7%**
*Peer Group Percentile Ranking**	*63*	*63*	*49*	*11*	*--*

*Peer group includes select public funds with over $1billion in assets.

3

Actuarial Valuation Data
(as of June 30, 2021)

Select Plan Data	Pension	Health Insurance Benefit	Total	Overall Annual Change
Market Value (MVA)*	$2.27b	$58m	$2.33b	+$471m
previous year data	*$1.81b*	*$44m*	*$1.86b*	*----*
Valuation Value (VVA)	$2.05b	$52m	$2.10b	+$183m
previous year data	*$1.87b*	*$45m*	*$1.91b*	*----*
Funded Ratio (VVA)	78.5%	42.4%	76.9%	+5.0%
previous year data	*73.7%*	*35.9%*	*71.9%*	*----*
Unfunded Liability (VVA)	$560m	$71m	$631m	-$116m
previous year data	*$666m*	*$81m*	*$747m*	*----*

*Total MVA as of March 31, 2022: $2.3 billion

Employer Contribution Rates

- Contribution rates remain the same

  - Actuarial valuation suggested a lower employer contribution rate due to high investment returns

  - The Board chose to keep rates constant to further repay unfunded liability

- District Contribution Rates for FY23

FY22	1955/1980 Plan		2013 Plan	
	Rate	Increase / (Decrease)	Rate	Increase / (Decrease)
Pension	*42.37%*	*0.00%*	*33.32%*	*0.00%*
HIB	*4.79%*	*0.00%*	*4.52%*	*0.00%*
Total	**47.16%**	***0.00%***	**37.84%**	***0.00%***

5

Employee Contribution Rates

- ## 1955/1980 Plan

  - Set by Memoranda of Understanding

  - No change for FY23

- ## 2013 Tier

  - Governed by Public Employees' Pension Reform Act

  - 50% of Normal Cost

  - No change for FY23

- 7th year of participation

- Calendar year 2020 data used

- Benchmarking

  - 156 other U.S. pension funds

  - Including 48 public funds

CEM Benchmarking Survey

- Results

Calendar Year 2020 Data	Retirement System	Median	Above/Below Median
Net returns	11.4%	13.7%	Below median
Investment costs	25.4bps	50.7bps	Below median
Net value added from active management	2.2%	0.3%	Above median
Asset Risk*	11.2%	9.6%	Above median
Asset-liability Risk*	12.6%	11.8%	Above median

In CEM survey, covered calls are categorized as equity vs. as hedge against equities and no private investments allocation for the ERS increases volatility since private investment values are updated less frequently.

Environmental, Social, and Governance (ESG) Engagement

- Proxy Voting

  - Second annual review presented to the Retirement Board in November 2021

    - Glass-Lewis (GL) votes the Retirement System's proxies for actively-managed accounts

    - Northern Trust Asset Management (NTAM) votes the Retirement System's proxies for passively-managed accounts

  - FY21 proxy voting data

    - 66,015 proxies voted (GL: 8,247, NTAM: 65,207, Both: 7,938)

Environmental, Social, and Governance (ESG) Engagement

- ESG Survey of Investment Managers

  – The third annual report will be presented to the Retirement Board in September 2022

- DEI Survey of Investment Managers

- Upcoming items include discussion of ESG passive investments, net zero focused investing and engagement opportunities

Summary

- Improved funding levels

- Contribution rates remain unchanged

- Continued focus on ESG considerations

- Markets

  - Strong investment returns through 2021

  - 2022 has seen decline in asset prices

  - Recent volatility and inflation could impact future funding levels