

**MINUTES OF THE RETIREMENT BOARD**  
**July 14, 2022**

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A regular meeting of the Retirement Board convened on Thursday, July 14, 2022 at 8:35 a.m. The meeting was called to order by Tim McGowan.

Due to COVID-19 and in accordance with Alameda County's Health Order 20-10 (issued April 29, 2020), and with the Governor's Executive Order N-29-20 which suspends portions of the Brown Act, this meeting was conducted as a hybrid teleconference & in-person meeting. In compliance with said orders, the meeting was conducted as a live Zoom broadcast from the AB Board Room with a physical location for audience members provided in the Board Annex. These measures will only apply during the period in which state or local public health officials have imposed or recommended social distancing.

**Roll Call** – The following Retirement Board Members were present: Jae Park, Frank Mellon, Tim McGowan, Marguerite Young, Clifford Chan, and Elizabeth Grasseti.

The following staff members were present: Winnie Anderson, Sophia Skoda, Lourdes Matthew, Lisa Sorani, Robert Hannay, Steven Goodman-Leibof, and Valerie Weekly.

**Went into Closed Session (8:34am)**

**PUBLIC COMMENT**

No public comment

**CONSENT CALENDAR**

**1-4. Consent Calendar** – A motion to move the consent calendar was made by Trustee Young and seconded by Trustee Park. The motion carried (5-0) by the following voice vote: AYES (Chan, McGowan, Mellon, and Park, Young), NOES (none), ABSTAIN (none), ABSENT (none).

**ACTION**

**5. Authorize Low Income Adjustments** – Valerie Weekly presented this item. Section 35 of the Retirement Ordinance provides for a Low Income Adjustment for retirees or their surviving beneficiary. To qualify, the retiree or surviving beneficiary must demonstrate that his or her total income from all sources is below established thresholds. Staff mailed flyers to 27 potentially eligible members. No applications were received before the established application deadline. As of the date of the posting of this memo, Staff received an inquiry from a surviving dependent who believes she may meet the required income restrictions for the plan. Staff has requested the documentation necessary to evaluate the request, but we have not yet received those documents. Staff recommends that this item be held for the next meeting. Trustee McGowan tabled the item for the September 22, 2022 meeting.

## **INFORMATION**

- 6. Performance Report and Economic Review** – Sophia Skoda introduced this item which was presented by Eric White of Meketa. Equities and Bonds are selling off. Bad environment for capital allocators. May continue to sell off until Cyclically PE Ration returns to historical levels. Trustee Young mentioned that corrections have historically happened pretty quickly, and is there any history of inflation sustained for a longer period. Eric White noted that if inflation reaches 5% then it is more persistent. We are at 10% inflation and 0% growth which arguably put us in stagflation. Trustee McGowan mentioned that he felt that he was paying more than 8% higher at store and gas station, etc. Eric White said we are seeing greater than 8% inflation on other goods. Eric Larsen reported on the portfolio. Plan assets are down 5.5%. A number of the funds have outperformed on 5-year period on gross return.
- 7. Diversity Equity and Inclusion Survey Follow-up** – Sarah Bernstein reported on the survey. There has been a large growth in the number of indices and products. Trying to more carefully identify the type of split into three categories: 1) Integrate ESG principals 2) Socially Responsible with no explicit financial goal, and 3) Mix of products and service that try to meet or exceed benchmark and provide quantifiable returns.
- 8. ESG in Passive Investments and Potential Engagement Options** – Sarah Bernstein of Meketa presented. If EBMUD wants to strengthen their engagement, Meketa has provided recommendations and any associated costs. Passive equity and ESG investing is evolving and new opportunities are developing.
- 9. Net Zero Training** – Sophia Skoda introduced this item. Sarah Bernstein of Meketa presented. This is an education on the tools, risks and opportunities associated with Net Zero. It is very complicated, so it would be a complex transition. Energy and Agriculture are the highest CO2 generators. Energy sector is most creative in addressing climate change and where we are expecting the most regulation. Net Zero means trying to reach net zero by 2050. Trustee Chan asked if buying offsets or credits would be included in the “removing from the atmosphere and storing carbon in soil, trees, etc”? Net Zero is focused on each agency’s production, so offsets would be; but credits would not if used for longer term strategy. There really is no established trend for public pension plans, so EBMUD is at the forefront in that they have done training and changed proxy voting.
- 10. Asset and Liability Roadmap and TIPS Education Training** – Sophia Skoda introduced this item. Eric White of Meketa presented the information. The roadmap is fluid; there are 3 components, the first of which is asset class education. We want to educate Board Members about new asset classes if those are being considered for the asset allocation. Treasury Inflation Protection (TIPS) were presented today. Risk Mitigation Strategies will be presented at the next meeting. If the Board would like to consider other assets, we should determine that over the next few meetings so Meketa can provide training. Trustee McGowan asked about Covered Calls, including asking if the decision to invest in Covered Calls has paid off for the Retirement System? Meketa agreed that would be an important item to discuss. Meketa or Staff can survey Board Members to evaluate their interest in new asset class. Meketa walked through a detailed explanation of TIPS.

**11. Administration of Health Insurance Benefit** – Lisa Sorani presented this item. Lisa outlined the many advantages of outsourcing the HIB administrative work, including providing better service to retirees. This work is very similar to FSA administration for active employees and that work is outsourced to a third party. Sophia Skoda added that finance was supportive of this item and had been working with the Retirement team to talk about work areas that may be more efficiently managed by outsourcing. She further stated that the Retirement System has very low administrative cost, but that comes with other costs. We have very low staff count and that has led to some errors that have been costly to the Retirement System. The retirement board members had several questions and concerns about the proposal and felt that more time was needed to have a robust conversation about HIB Administration. Staff will bring the item to the September 15, 2022 Retirement Board meeting with more information responsive to the questions the retirement board members posed, and will ensure enough time is provided to allow for conversation on this topic.

**12. Retirement Board Election Update Retiree Seat** – Lisa Sorani presented this item. Staff ran the retiree election according to the schedule presented last meeting. Staff coordinated and provided sessions to retirees to educate them on the fiduciary responsibilities of the Board Member. Trustees McGowan and Park generously offered their time to join these sessions. Unfortunately, nobody attended. At time of compilation, we only had 1 candidate with 5 nominations, Elizabeth Grasseti. At the September 2022 meeting, we will be announcing as the retiree representative to the Retirement Board for another term.

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

**ITEMS TO BE CALENDERED / UPCOMING ITEMS**

**ADJOURNMENT** – Trustee McGowan moved to adjourn the meeting at 11:59 a.m. and Trustee Young seconded the motion; the motion carried (4-0) by the following voice vote: AYES (Chan, McGowan, Mellon, Park, and Young), NOES (none), ABSTAIN (none), ABSENT (none).

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President

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

07/14/2022