

MINUTES OF THE RETIREMENT BOARD

July 20, 2023

A regular meeting of the Retirement Board convened on Thursday, July 20, 2023 at 8:32 a.m.

The meeting was called to order by Retirement Board President Tim McGowan. This meeting was conducted with Retirement Board Members physically present in the Administration Building **Training Resource Center**, 375 Eleventh Street, Oakland, California. This location served as the physical location for members of the public who wish to attend the meeting in person. Please note, however, that members of the public were also provided the opportunity to participate via video and teleconference.

Roll Call – The following Retirement Board Members were present: Marguerite Young, Clifford Chan, Tim McGowan, Jae Park, April Chan, and Elizabeth Grassetti.

The following staff members were present: Cindy Charan, Sophia Skoda, Lourdes Matthew, Robert Hannay, Steven Goodman-Leibof, and Valerie Weekly.

The following consultants were present: Eric White, Eric Larsen, Sarah Bernstein, and Maya Ortiz de Montellano from Meketa Investment Group.

PUBLIC COMMENT

No public comment

CONSENT CALENDAR

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

Dir. Young Joined the meeting immediately after the consent calendar.

ACTION

5. Extend Consulting Agreement with Meketa Investment Group for One Year – Sophia Skoda introduced the item, which was presented by Steven Goodman-Leibof. The Meketa consulting agreement expires 3/31/2024. Staff is recommending extending the agreement for an additional year to 3/31/2025 and initiate an RFP for investment consulting services after. Jae Park asked about best practice on retaining or changing consultants. Sophia responded she's not aware of any and would like to think about it a little more. Robert Hannay said it has been a while since a search was conducted. The Board will be involved in the selection process. There was no public comment.

A motion was made by Dir. Young to extend the consulting agreement, and the motion was seconded by Dir. Chan. The motion carried (5-0) by the following voice vote: AYES (McGowan, C. Chan, Park, A. Chan, Young, NOES (none), ABSTAIN (none), ABSENT (none).

6. Adopt Process for Retirement System Actuary Search – Sophia Skoda introduced this item. Robert Hannay presented. Segal has been our long-term actuary. This agreement expires in April 2024. Staff is seeking direction from the Retirement Board on how it would like to participate in the selection process. Three options are provided and discussed. Option #1 is for staff to conduct the process and interviews and report back its findings and recommendations to the Board. Option #2 use Administrative Investment Committee to participate with staff in the process. The Administrative Investment Committee is made up of the Finance Director, Secretary and the Board President or designee. The committee would report findings and recommendations to the full Board. Option #3 create an Ad Hoc Committee with two Board members who would participate with staff on the process and then a recommendation is given to the Board for a final decision. Dir. Young prefers staff conduct RFP and have the full Board interview two finalists. This is a big change. We have had Segal for a very long time. She favors option #2 with full board interviewing two finalists. Dir. Chan how much time would option #3 take and indicated she wouldn't mind participating in that option. Staff responded that this would take place over the course of several months a few hours every few weeks reviewing proposals and engaging with staff on the selection. Dir. Chan would like to participate in option #3. Elizabeth Grassetti would like to interview finalists and Clifford Chan supports committee doing initial and Board doing the final interview. If there are only three submittals it makes sense to go directly to the final interview with the Board. Meketa recommends a committee to alleviate redundancy. There are very few firms in the space six would be the upper limit Sophia Skoda said staff would bring an info item to the Board discussing how many firms are in the space. Dir. Young recommended that staff survey other pension systems to develop a list of actuaries. Dir. Chan asked for clarification on option #3 having one board member. Jae Park and Dir. Chan expressed interest in being on the committee. Sophia Skoda responded that all of the options include at least one board member and the entire Retirement System finance staff. Sophia Skoda's strong suggestion is that we only bring two firms to the final interview. Dir. Young suggested creation of an ad-hoc committee with two board members and interview two finalists by the full board. Lourdes: Board Rule B-1 language authorizes who can serve on that committee. No public comment.

A motion was made by Dir. Chan to create an Ad Hoc Committee (similar to option #3) to participate with staff in actuary proposal reviews and to make a recommendation of finalists to the Retirement Board, with the finalists to be interviewed by the full Retirement Board for final selection. The motion was seconded by Dir. Young. The motion carried (5-0) by the following voice vote: AYES (McGowan, C. Chan, Park, A. Chan, Young, NOES (none), ABSTAIN (none), ABSENT (none).

Tim McGowan designated Jae Park and Dir. Chan to serve on the ad-hoc committee.

INFORMATION

7. Performance Report and Economic Review (Meketa Investment Group) – Sophia Skoda introduced this item. Eric White and colleague presented starting at page 32 of presentation. 2022 was a challenging year. One last point to illustrate emerging markets and China, page 6 of Meketa packet: year-to-date column, China makes up 30% of emerging markets index. Still looking at quite inverted yield curve. McGowan asked about difference between Russell indices (1000 vs 2000 vs 3000). Eric White outlined the difference. Recovery not what investors expected. Wages growing sub-inflation. Market predictions given 6 to 36 months. Concerned about exposure to regional banks.

Dir. Chan asked for information about growth -vs- value. Eric White responded to question; April asked about commentary page. She has heard investing in Africa now is like investing in China in the 1980s. How would we change how we invest? Dir. Young: There is so much inefficiency in the markets.

There was a break from 10:05am until 10:18am

8. Asset-Liability Training: Introduction to Private Credit – Sophia Skoda introduced this item. Maya Ortiz de Montellano presented this item. Privately negotiated loan at debt. Discussion Retirement System did not have any investments in private equity. Start with education training. Syndicated loans through traditional banks. Trade-off is liquidity. Funds are shorter-lived than private equity funds, depending on the strategy. If you're in a fund, you're more susceptible to a calendar. You need to have market awareness. Jae Park: where do they fall in terms of risk and fund, compared to other classes. Dir. Young was unsure where this would slot in terms of an asset class, could be bank loans, real estate, infrastructure, or fixed income. Could be used to juice returns of other asset classes. The private credit market has grown but is still much less than private equity. This is not a case of falling victim to feeling of missing out. Jae Park asked what the downsides are. Eric White responded that the private aspect is something that we are not used to and requires a higher staff involvement. Dir. Young asked where is the money within the asset class? Dir. Young also asked about survivorship, and can we get access to the top managers given our size? Maya stated that private credit is friendlier to investors, and funds will accept smaller allocations. Sophia Skoda responded that much more of the market is not public, much more than 20 years ago, and offers an opportunity. Eric said that the majority of the returns for the portfolio rest on a few names, this asset class gives us access to opportunities that are underrepresented in our portfolio. Clifford Chan: Expressed that he needed more information before he fully understands the risks and benefits.

9. HIB Ordinance Language Clarification – Lourdes Matthew presented this item to apprise the Retirement Board of clarifications that would be of benefit to the Retirement Ordinance pertaining to the Health Insurance Benefit (HIB) and the collection of employee contributions. Currently, the language in the Retirement Ordinance provides that the District has authority to collect employee contributions towards the HIB. The District has exercised that authority having collected employee contributions towards the HIB. However, it is recommended that clarifications to the Retirement Ordinance be made to make the exercise of that authority more explicit. A draft Retirement Ordinance was amended to reflect the recommended clarifications. Elizabeth Grasseti and Dir. Young expressed concern that adding such clarification would be too granular in and too prescriptive for future retirement administrators. Clifford Chan noted that more specificity sometimes causes issues as well. There may be more room for details in the Board Rules. Robert Hannay mentioned that the Ordinance is also our Plan Document so may need more detail. Tim McGowan asked about the language regarding distribution of HIB contributions. Lourdes responded that the Section 36 (J)(2) outlines the prohibition on making distributions from the Retirement System. Tim McGowan asked what the source would be if it's not paid from the Trust. Lourdes indicated that payments would be made from the District. The method for distribution may be included in the Board Rules. Tim has asked that recommended changes to Rules \ accompany Ordinance changes so no details are lost. Staff will provide an updated draft of the proposed Retirement Ordinance amendment, as well as a draft of new Retirement Board Rules to reflect the needed clarifications of the Retirement System's existing practices.

REPORTS FROM THE RETIREMENT BOARD:

Jae Park attended the SACRS conference in Berkeley.

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

ITEMS TO BE CALENDERED

Review COLA Bank Balances

History of HIB Benefit.

Dir. Chan asked when discussion of changing HIB benefit would be brought back to the Board. Valerie mentioned that the History of the HIB Benefit is an item to be calendared. Her recollection was that changing the HIB was part of the longer HR strategy and included in negotiations. Dir. Chan requested a timeline for making changes. Clifford Chan thought that the earlier conversation was more about what was being offered elsewhere and how we compared. Sophia Skoda indicated that her recollection regarding the history of HIB was how changes had been made previously. That changes may have been directed by the General Manager, not the Retirement Board. Dir. Chan recalls discussions about focus groups with Retirees to see what they wanted. Is it possible to augment the history memo with clarification of the table and maybe a timeline leading up to negotiations? Dir. Young indicated that it's more important to determine best practice to balance as part of the overall benefits. Tim McGowan suggested that this be broken over a number of meetings. Sophia Skoda pointed out that the calendar is important Clifford Chan recalled Cindy Charan mentioning that this has to be looked at along with other benefits. Cindy Charan agreed that this is part of strategic planning and included in her negotiations strategy and that stakeholder feedback will be an important component. Elizabeth Grasseti mentioned that it was odd that current employees would be making decisions for retirees. Dir. Young pointed out that this is the way it works. It's important that labor representatives hear from retirees. It's important that the Board is running in parallel with the various tables. The Retirement Board are not the drivers, they are implementors of policies made by EBMUD Board of Directors and then in negotiation with the unions. Jae Park re-iterated the request that staff bring back the following 4 items: Revised comparison table, Timeline, HIB history and research of organization who can help determine best practice.

MEETING ADJOURNMENT – Dir. Chan moved to adjourn the meeting at 12:20 p.m. and Jae Park seconded the motion; the motion carried (5-0) by the following voice vote: AYES (McGowan, Young, C. Chan, Park, A. Chan), NOES (none), ABSTAIN (none), ABSENT (none).

President

ATTEST: _____
Secretary

09/21/2023