

MINUTES OF THE RETIREMENT BOARD
November 9, 2023

A regular meeting of the Retirement Board convened on Thursday, November 9, 2023 at 8:33 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: Clifford Chan, Tim McGowan, Jae Park, Elizabeth Grassetti. April Chan was absent. Marguerite Young was absent at roll call and arrived at 8:37 am.

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

The following consultants were present: Colin Bebee, Jonathan Camp, Eric Larsen and Sarah Berstein, from Meketa Investment Group. Catherine Moyer and John Wieck form Northern Trust. Billy Brown and Tom Sher from Alliant Employee Benefits.

PUBLIC COMMENT

There was no public comment in the room or online.

CONSENT CALENDAR

1-6. Consent Calendar - A motion was made to approve items 1-6 of the consent calendar by Clifford Chan and seconded by Jae Park. The motion carried (3-0) by the following vote: AYES (McGowan, C. Chan, Park), NOES (none), ABSTAIN (none), ABSENT (A. Chan, Young).

ACTION

Marguerite Young joined the meeting at 8:37 a.m.

7. Declare the Interest Rate Credited to Members – Cindy Charan introduced the item and explained that interest is declared twice annually. Valerie Weekly explained the rules and documents used in determining the interest rate and requested the Board to approve the Resolution to declare the rate credited to member accounts effective December 31, 2023 to be three and two-tenth percent (3.2%) for the balance of employee contributions and interest as June 30, 2023. A motion was made to approve the Resolution by Jae Park and seconded by Clifford Chan. The motion carried (4-0-0-1) by the following vote: AYES (McGowan, C. Chan, Park, Young), NOES (none), ABSTAIN (none), ABSENT (A. Chan).

8. Adopt Updated 2024 Retirement Board Meeting Calendar including Additional Sessions for HIB Study – Cindy Charan introduced this item and Lisa Sorani reviewed the calendar for the HIB Study and presented the request for the Retirement Board to authorize hiring Alliant Insurance Services Inc. as consultants to project manage the HIB Study. A motion was made by Marguerite Young to confirm the study as outlined including the dates and topics and cost of the consultants. The motion was seconded by Jae Park. The motion carried (4-0-0-1) by the following vote: AYES (McGowan, C. Chan, Park, Young), NOES (none), ABSTAIN (none), ABSENT (A. Chan).

9. Authorize Contract with Flexible Benefit Administrators, Inc. for HIB Administration – Cindy Charan introduced this item. Lisa Sorani reminded the Retirement Board of the terms of the agreement. Marguerite Young asked about the ability to cancel the agreement if we moved in a different direction with the HIB Benefit that did not require their services, Lourdes Matthew confirmed that the contract can be cancelled with 90 days of notice and payment for services through the date of termination. A motion to authorize the contract was made by Clifford Chan and seconded by Jae Park. The motion carried (4-0-0-1) by the following vote: AYES (McGowan, C. Chan, Park, Young), NOES (none), ABSTAIN (none), ABSENT (A. Chan).

INFORMATION

10. Update on the PensionGold (LRS) Implementation Project – Cindy Charan introduced this item and Valerie Weekly presented. Valerie Weekly first responded to a public comment at the September meeting related to staff's ability to use another employer's compensation when running an estimate, confirming that while the system would allow this, staff is directed not to do this, as reciprocity is not finally confirmed until the time that a member retires from all agencies and therefore running an estimate with that income is a risk. Several retirement board members discussed the need for members to model this information on their own. Others were concerned about possible risk and agreed with the need to include disclaimers on the estimate. There was discussion about the timeline. It was agreed that Adam Froio, EBMUD Project Manager, will attend the January meeting to address some of these questions and discuss the critical path.

11. Present Audited Financial Statements – Sophia Skoda introduced this item, noting that Robert Hannay, who is working out of class as the Controller will be presenting. Sophia Skoda noted that there is now a candidate for the Controller position and she anticipates taking the Controller candidate to the Board of Directors in November. Robert Hannay reviewed the information noting that membership numbers in the report which represents both active employees and retirees has grown over the last 10 years. Employee and Employer contributions represent the major sources of financial resources.

12. Performance Report and Economic Review (Meketa Investment Group) – Sophia Skoda introduced this item. There was a memo to the Retirement Board announcing the departure of Eric White. There was discussion of a memo or resolution recognizing his 10+ years of support to the Board. Colin Bebee will replace Eric White. Eric Larson will continue to support the Board. Colin continued on to present the performance report. The fed rate increases have yet to derail economic growth. Inflation remains high and there remain some pressures. There are three important variables economic growth, interest rates and inflation. These three variables drive performance. Q3 was a

challenging period, but it has overall been a good year driven by big companies. The ability of individuals and companies to service future debt will be a large driver of future returns. 2023 has been a strong year for equities, not so much for fixed income. Eric Larsen will discuss the EBMUDERS portfolio. Ended third quarter just under \$2.2 billion. Strong historical performance against the benchmark. Both US and international equities are tracking benchmarks, covered calls providing strong performance outperforming their benchmarks, real estate has underperformed benchmarks due, fixed income is slightly underperforming the benchmark. The full Q3 report will be covered in the next meeting.

Retirement Board took a break 10:15 – 10:40am. Called back to order.

13. Asset-Liability Training: Asset – Liability Concepts and Process – Sophia Skoda introduced this item. Colin Bebee and Jonathan Camp from Meketa presented this item. The overall goal of an asset-liability study is to select a new-long term asset allocation or strategic allocation based on the System’s risk tolerance and liability structure. Asset allocation is one of the most important decisions a Board makes. There are six main risks: investment, inflation, liquidity, workforce, cash inflow and longevity. Each risk was explained. There was a discussion of workforce risk. Marguerite Young and Clifford Chan discussed that we have a 20+ year infrastructure plan and will be able to accurately project workforce. Tim McGowan agreed and said that workforce risk should probably be de-emphasized. In terms of the statistics, we will focus on funded status, which is assets divided by liability. The modeling will show the impact on funded status based on different scenarios. Contributions will also be a big topic. Two strategies were introduced. Clifford Chan asked if there are only two predominant strategies. There are other strategies, but only a few will be discussed in the modeling. Marguerite Young discussed the fact that San Francisco has risky assets despite its 100% funded status. San Francisco doesn’t have to change its asset allocation as they are still assuming a 7% target. Jae Park mentioned that there are some odd objectives in the current policy, and he was wondering if we were following some of them. This would be the time to review the entire document to make sure it is rational. Next, there is a need to wait on the capital market assumptions that will be done by the end of January. Clifford Chan asked if the consultants could describe potential scenarios as storylines to make it more understandable to the layperson.

14. Proxy Voting Annual Update – Sophia Skoda introduced this item, which was presented by Colin Bebee from Meketa, John Wieck from Glass Lewis and Catherine Moyer from Northern Trust. Staff is planning to sign the final year of our Glass Lewis voting contract under our current service agreement, and that will ensure that we have proxy voting for the portions of the portfolio voted on by Glass Lewis through the end of 2024. The majority of the portfolio is passive, so Northern Trust will be voting the majority of our proxy. Tim McGowan asked if dollarwise Northern Trust has a much bigger influence than Glass Lewis. John Wieck mentioned that there were a lot of instances where Glass Lewis and Northern Trust voted the same. ESG is still a big topic, most companies are embracing ESG policies. There are some companies and systems that engage in anti-ESG policies. There is a large increase in the number of shareholder proposals that tend to lean towards ESG. There has been a rise in anti-ESG proposals. CEO has gone down driven by market returns. Support of management proposals went down due to strengthening of diversity and oversight requirements in the voting policy. Support of shareholder proposals was down too because the SEC is not blocking immaterial proposals and rise of anti-ESG proposals. There was a good level of overlap with voting

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with Northern Trust, 94% overlap with the gap being largest in management proposals mainly due to auditor tenure issues. Glass Lewis believes that the System is best served by the Public Pension Policy. Sandy Signor of Northern Trust discussed that the account will be transferred to Charmaine Fulnick. Catherine Moyer took over to present. No major changes of proxy voting policy. More votes against management proposals due to stricter diversity requirements. Higher support of social proposals than environmental due to the environmental being too prescriptive. Northern Trust is working on pass-through voting for pooled funds to better align votes across managers. Tim McGowan asked what the plan is for proxy voting once Glass Lewis' contract is up. Sophia said we will wait until after the asset study. Tim McGowan asked when proxy voting season is. Proxy voting season is typically the second quarter. It starts to ramp up the beginning of March, and then it really is in full force through mid-April into the first second week of June. The Retirement Board will decide on Glass Lewis contract by late 2024.

15. Training: Engagement Opportunities – Sophia Skoda introduced this item. Colin Bebee presented. If the Retirement Board wants to expand capital stewardship outside of proxy voting, engagement is one of those next steps. Engagement opportunities are a large area of growth. This is a high-level introduction of what to do with engagement. Managers can engage through the mandate itself, or as a standalone service and more and more are offering engagement addition. Consultants, whether that is Segal or others, who also proxy vote or offer engagement. It is really that spectrum of simple reporting to actual verbal and written dialogue with the company, and how customized that last piece may be.

REPORTS FROM THE RETIREMENT BOARD:

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

No trainings or reports were provided from the Retirement Board members.

ITEMS TO BE CALENDERED:

- HIB Study Schedule
- Pension Gold Implementation Update - Bring back Retirement Project Manager to discuss Critical Path of the Implementation.
- Action item to discuss if date change is needed for the May Retirement Board meeting.
- Consider a change of start time from 8:30 a.m. to 9 a.m. for future Retirement Board meetings.
- Review updated Draft Changes to Retirement Ordinance
- 12. RE-OPENED Performance Report and Economic Review (Meketa Investment Group) – Retirement Board President Tim McGowan re-opened item 12 to allow Retirement Board members to engage with Eric White who joined the meeting live. Board members wished to thank Eric White for his years of service to the Retirement System.

MEETING ADJOURNMENT – Clifford Chan moved to adjourn the meeting at 12:25 p.m. and Marguerite Young seconded the motion; the motion carried (4-0) by the following voice vote: AYES (McGowan, Young, C. Chan, Park), NOES (none), ABSTAIN (none), ABSENT (A. Chan).

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President

ATTEST:

Secretary

1/18/2024