

(Corrected)

MINUTES OF THE RETIREMENT BOARD
March 21, 2024

A regular meeting of the Retirement Board convened on Thursday, March 21, 2024 at 9:04 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, Marguerite Young, April Chan, Tim McGowan, Jae Park*

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

The following consultants were present: Meketa - Colin Bebee, Sarah Berstein, Jonathan Camp, Eric Larsen. Segal-Andy Yeung and Dirk Adamsen. Alliant-Billie Brown and Tom Sher; Cheiron – Graham Schmidt, Anne Harper, Heather Fantz

PUBLIC COMMENT: The Retirement Board is limited by State Law to providing a brief response, asking questions for clarification, or referring a matter to staff when responding to items that are not listed on the agenda.

Ivette Rivera expressed that other water agencies provide a higher HIB benefit and she hopes the District considers matching other water agencies' levels.

John Hayden (online comment) questioned whether the outsourcing of HIB administration was part of today's agenda, or if it was already a done deal. He would like to speak against the outsourcing of HIB administration. His reimbursement is currently received in his retirement benefit check and he doesn't have to worry about it. He thinks the HIB administration is unnecessary. Lisa responded we have contracted with FBA and have initiated the outsourcing process, which we anticipate will happen in fall 2024. Staff want to make this as seamless as possible.

Lisa Sorani summarized two letters from the public to the Retirement Board:

Steven Wollmer offered suggestions about changing the amount and vesting of the HIB benefits.

Catherine Humphrey raised concerns about the availability of various Medicare plan options. Lisa Sorani explained the difference between advantage plan and medigap plans. There has been information in news about members who have medigap. Advantage plans give 120 days versus medigap after 20 days they are requesting recertify to make it to the 100th day. We currently, do not speak on this and the member believes we should educate this important difference. Lisa confirmed with Kaiser that this is not a problem with Kaiser Senior Advantage Plans. We are awaiting a response from ACWAJPIA related to the United Healthcare Advantage Plan. Lisa Sorani mentioned that staff will be integrating HICAP into our informational sessions to help share information about the differences between Medigap and Medicare Advantage Plans.

REGULAR BUSINESS MEETING

CONSENT CALENDAR:

April Chan pulled item #2, approval of February Minutes. Marguerite Young motioned to approve items #1, 3-5. Jae Park seconded the motion and the motion carried (5-0) by the following vote: AYES (A. Chan, C. Chan, T. McGowan, J. Park, M. Young), NOES (none), ABSTAIN (none), ABSENT (none).

Regarding item #2, April Chan wanted the minutes to reflect that she was late to the Meeting due to jury duty obligations. April Chan motioned to approve items #2 with the correction mentioned. Marguerite Young seconded the motion and the motion carried (5-0) by the following vote: AYES (A. Chan, C. Chan, T. McGowan, J. Park, M. Young), NOES (none), ABSTAIN (none), ABSENT (none).

ACTION:

6. **Adopt Cost of Living Adjustment effective July 1, 2024 – C. Charan** – Cindy Charan introduced this item. The calculated current CPI is 3.7%. The current retirement system funding does not exceed the 85% threshold, so the maximum COLA is 3.0% with up to 0.7% to be added to Cola banks. Motion made by Marguerite Young. Clifford Chan seconded the motion and the motion carried (5-0) by the following vote: AYES (A. Chan, C. Chan, T. McGowan, J. Park, M. Young), NOES (none), ABSTAIN (none), ABSENT (none).
7. **Authorize Extending Glass Lewis Contract – S. Skoda** – Sophia Skoda introduced this item then handed it off to Robert Hannay. The Glass Lewis agreement expires this year. Staff recommends extending it for next 3 years. Motion made by Marguerite Young. Clifford Chan seconded the motion and the motion carried (5-0) by the following vote: AYES (A. Chan, C. Chan, T. McGowan, J. Park, M. Young), NOES (none), ABSTAIN (none), ABSENT (none).
8. **Select Retirement System Actuary – S. Skoda**
 - a. **Accept Ad Hoc Committee Recommendation of Finalists: Segal and Cheiron**

Sophia introduced this item with Stephen Leibof-Goodman presented. In June, the Board decided to use an Ad Hoc committee to evaluate proposals for actuarial services and recommend final candidates to conduct presentations for the Board’s consideration. There were four proposals, which the Committee unanimously narrowed to two finalists, Segal and Cheiron. April Chan said it was very easy to get to this consensus and felt it would be a very close decision. Other members of the Committee expressed the same sentiment.

Motion made by April Chan to accept recommendation of Ad Hoc committee. Clifford Chan seconded the motion and the motion carried (5-0) by the following vote: AYES (A. Chan, C. Chan, T. McGowan, J. Park, M. Young), NOES (none), ABSTAIN (none), ABSENT (none).
 - b. **Select Actuary:**

SEGAL: With Andy Yeung presenting, the Segal team stepped through their slide deck for the allotted 15 minutes. Andy Yeung described that the scope of work is what drives the higher fees and offered to reduce the proposed fees by \$10,000 per year. Marguerite Young questioned Segal about how they might improve the materials provided to EBMUD; taking advantage of technology innovation to help understand actuarial assumptions and reports. Andy Yeung responded they’re now using PPT presentations.

April Chan asked where EBMUD might need improvement and our strength and then asked about Segal's diversity efforts. Andy responded by stating the District has excellent staff, but could improve with better data; they look forward to when EBMUD has PensionGold. Segal has about 10% women. Segal has a mentorship program.

Cheiron: With Graham Schmidt presenting, the Cheiron team stepped through their slide deck for the allotted 15 minutes. Clifford Chan asked about employee retention rate. Graham Schmitt responded that retention has been 100% among senior team. Marguerite Young asked what the client retention rate is. Anne Harper responded that the client retention rate is 100% in California. April Chan asked about DEI initiatives and transition. Graham Schmitt described recruitment initiatives at Historically Black Colleges and Universities and firm focus on data and data processing.

The Board and staff discussed different aspects of the proposals and the presentations. Proposal from Cheiron did not consider intricacies of our plan that they don't know. EBMUD's antiquated systems can't track data that the actuaries need. Tim McGowan asked staff about Segal's performance (change orders, timeliness, etc.) Steve Goodman-Leibof said Segal has operated like an extension of Finance. Lisa Sorani indicated Segal has been very conscientious at keeping track of work requests. Robert Hannay reported they're always on time; they have been an amazing resource. Segal offered assistance with the PEPRAs standby pay correction. Most Board members agreed that Cheiron gave a better DEI response but in both cases, the firms are limited by supply chain. Segal didn't come with a plan to grow and evolve but Cheiron did. Jae mentioned that while cost is important to him, Segal performance and references gave high marks so he is inclined to stay with them. Clifford Chan asked if this was a good time for a transition to a new actuary? Staff responded that this would be a difficult time because of other high priority projects. If Segal helped us with a transition, it might not be such a heavy lift. Marguerite Young noted frustration that staff did not previously suggest giving Segal a 2-year extension and then do the RFP once PensionGold has implemented.

Max Fefer from Local 2019 made a public comment. Max had concern with dashboard style offering, as they can highly simplify complicated concepts. Putting too much value into something like that would need lots of vetting. There is lots of room for error in creating dashboard tools.

President McGowan asked if we were due for an audit. Maybe that is something we can engage Cheiron for that audit. Some members of the Board expressed frustration that staff was being resistant to change. Sophia Skoda was sorry to hear that the impression is staff is resistant to a change. Staff was indicating it was a difficult time but would make it happen if the Board decided to move forward with Cheiron.

Tim McGowan made a motion for staff to negotiate a 2 year contract with Segal. There was discussion about conditions that should be included in the motion.

The Board took a 10 min break; then resumed at 11:59am

Marguerite Young offered the following amendments to Tim McGowan's motion. Staff will attempt to negotiate a 2 year extension of the Segal contract conditioned on Segal's commitment to advancing the following:

- Enhancing the layperson's understanding of actuarial materials utilizing the latest presentation technology and graphics.
- Integration and advancement with the greater Segal DEI Plan.
- Development of succession planning for the team supporting EBMUD.

Tim McGowan accepted the recommended amendment to his original motion. April Chan seconded the motion and the motion carried (5-0) by the following vote: AYES (A. Chan, C. Chan, T. McGowan, J. Park, M. Young), NOES (none), ABSTAIN (none), ABSENT (none).

INFORMATION:

Informational items were not taken in the order on the agenda. After item #8, item #16 was presented followed by item #11 and item #9. Items #10 & 14 were not discussed, item #15 was moved to the April meeting and items #12, #13, were moved to the informational packet for the May meeting.

16. Amending the Retirement Ordinance to Modify Accrual of Service Credit by Board Members – L. Matthew

Members of the EBMUD Board Directors have been treated as employee members since 1997, when Board Members were originally granted membership. Under current ordinance language, there is potential for a windfall benefit to Directors who receive a benefit based on earnings other than the compensation as a Board member. Two options will be presented to the Board of Directors. Option 1 – Revert back to pre-1997 language, which excluded Directors from participation. Option 2 – Amend the ordinance to prorate the years of service accrued by Board of Director member. Option 3 Do nothing, with the understanding that this could result in a windfall for the retiree and an unfunded liability for EBMUDERS. –Any changes to the Ordinance would be effective prospectively, not impacting anyone currently on the Board. Considering a Retirement Ordinance change requires two readings at the Board of Directors meetings, staff is targeting a July 21, 2024 adoption date. There was discussion about treatment of service for vesting and HIB. Director Young would like to eliminate the reciprocity for Board of Directors , however, staff advised that there could be legal complications arising from the District’s contract with CalPERS to provide reciprocity.

11. Asset Allocation Modeling Kickoff – S. Skoda

Colin from Meketa presented. Capital market assumptions are key inputs on the asset side of the equation. We look at what just happened over the last year with the market and interest rates. Last year was a strong year for equity about 26% non us about 18% as of January 2024 assumptions are a little lower compared to 2023. Pg 189 shows expected returns. Tim McGowan’s concern is that in the 10 year returns in the last asset allocation study led to a 50/50 mix of US and international equities but US equities significantly outperformed international and we did not earn what we could have because not invested in that rally. Colin explained that it is most important to have a well-grounded reasonable expectations to come up with an appropriate mix Public Comment Max Fefer how do we translate the standard deviation. Jonathan that is an annual standard deviation we take what has occurred in the last 15 years and take into consideration both qualitative and quantitative factors. Marguerite Young pointed out that this is just our best guess and it will be wrong 95% of the time but we have to have something that we land on. All models are wrong but some models are useful. Colin bonds are the only ones with high predictability with 1% deviation. The goal of this meeting is get consensus or develop a definition and view of risks for EBMUDERS. Slide 197 is about how do we do this. There was discussion of funded status and employer contributions. Funded status is when the fund has 100% meaning they have monies to pay all of the systems obligations. Marguerite Young everyone is trying to get to 100% funded but not sure if that is where we should be aiming. Tim McGowan asked if we are comfortable with 5% to private debt? Marguerite Young wants to see this in the tool to see how that 5% affects the return in coordination with the other asset classes. April Chan asked if we rebalance annually. Robbie

Hannay responded that we rebalance quarterly. We take money to pay expenses from classes that are over allocated and a rebalancing may occur at that time. We have not gone over a, b, or c because we are interested in what is your focus. Tim McGowan asked if Meketa was looking for feedback on which options, A, B, or C, the Board preferred. Johnathan pointed out that you would pick option A if you are looking to get there as fast as possible. If you wanted less volatility, that would be option C. Marguerite Young asked if any of this display related to the change in the demographics, i.e. more PEPRAs folks and passing of legacy members? Jonathan: that baseline assumption is built into this model. We are focused on only what happens if we change the asset allocation. Tim McGowan: felt like you took unfunded [liability] based on our information today and you have not talked to see how the unfunded liability does change every year. This is just an asset lens. April Chan expressed her concern with theory. She needs to see the components used in the modeling.

9. PensionGold (LRS) Implementation Project Update – C. Charan

Adam Froio presented. The Retirement Board raised questions about the critical path. Are there changes we can make to improve efficiency or shorten the timeline. Adam doesn't believe anything. The project team has asked LRS to provide the design documents for each phase as they are ready of EBMUD review, rather than wait for all to be ready. 99.7% of data converted properly. The project is a few hundred thousand dollars under budget, largely because of unfilled positions. A couple of people left the project and were not replaced. Another technical resources was hired to support the project team. Valerie mentioned the data cleanup has been delayed. The project team would like to fill one of the vacant analyst positions to support those efforts. Vendor easy to work with; very responsive. Staffing: hired another technical resource. Not able to remove anything from critical path. Adam assumes that position may not be entirely charged to the project since much of the work is HR data cleanup.

REPORTS FROM THE RETIREMENT BOARD:

Tim attended CALAPRS General Assembly March, 2024. He discussed a few of the topics addressed in that session, including funds that are looking at being fully funded and artificial intelligence.

ITEMS TO BE CALENDARED:

Items 12, 13, and 15 will be moved to future meetings.

MEETING ADJOURNMENT:

Meeting adjourned at 2:03pm. April Chan motioned for the adjournment of the meeting. The motion was seconded by Jae Park and the motion passed 5-0 by the following vote: AYES (T. McGowan, C. Chan, J. Park, M. Young, A. Chan), NOES (none), ABSTAIN (none), ABSENT (none).