

## Meeting Minutes

### EBMUD EMPLOYEES' RETIREMENT SYSTEM

July 18, 2024

A regular meeting of the Retirement Board convened at 9:00 a.m. on Thursday, July 18, 2024. This meeting was conducted with Retirement Board Members physically present in the Administration **Training Resource Center**, 375 Eleventh Street, Oakland, California. This location served as the physical location for members of the public who wanted 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. Public participation will also be available by live audio stream <https://www.ebmud.com/about-us/board-directors/board-meetings/retirement-board-meetings/>; however, listeners were not able to provide public comment via live audio stream. For instructions regarding meeting participation or providing or providing public comment, please see the Appendix of the Agenda for instructions on joining the Zoom meeting online or by phone. Some Presenters may have attended via Zoom.

#### **\*\*Public Participation\*\***

**Please see Appendix at end of Agenda for Public Participation Details**

**ROLL CALL:** Marguerite Young, Board Vice President, opened the meeting and took roll call.

Present: Clifford Chan, Marguerite Young, April Chan, Max Fefer, Jae Park and Elizabeth Grassetti

Staff/Presenters: Lisa Sorani, Valerie Weekly, Cindy Charan, Mae Shepherd, Sophia Skoda, Robert Hannay, Steven Goodman-Leibof, Lourdes Matthews, Andy Yeung (Segal), Mehdi Riazi (Segal) Colin Bebee (Meketa), Eric Larsen (Meketa)

**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. There was no public comment at this time.

#### **REGULAR BUSINESS MEETING**

##### **CONSENT CALENDAR:**

**1-5. Consent Items** - No consent items were pulled for discussion. Clifford Chan moved consent items 1-5; Max Fefer seconded the motion. The motion passed (5-0) by the following vote AYES (A. Chan, C. Chan, M. Young, M. Fefer, J. Park), NOES (none), ABSTAIN (none), ABSENT (none).

##### **ACTION:**

Jae Park mentioned that item 10 - Resolution Acknowledging Tim McGowan's Service to the Retirement Board would be taken following the informational items.

**6. Election of Retirement Board Officers** – Lisa Sorani clarified that while the election of a Vice President is not required at this time, a vote for the President is mandatory. Marguerite Young nominated Jae Park, which was seconded by April Chan. The motion passed (5-0) by the

following vote AYES (A. Chan, C. Chan, M. Young, M. Fefer, J. Park), NOES (none), ABSTAIN (none), ABSENT (none).

- 7. Approve Portfolio Transition Plan** – Colin Bebee from Meketa presented a proposed plan for transitioning the Board’s investment portfolio, based on the allocation adopted in the July 2024 meeting. Colin Bebee mentioned that transitioning a billion-dollar plan typically takes 2-5 years. The provided transition plan targets July 1, 2026 as the completion date. This allows for some flexibility to account for potential delays. Staff and Meketa will be working with Northern Trust Management to complete the transition. Transition managers help with the buying and selling of assets as you change mandates. In stage zero, we will be changing benchmarks for two of our managers: Federated and MacKay Shields. In stage 1, which will be completed by 10/1, we will redeem Van Hulzen and CenterSquare which will be shifted to US equity. During this stage, Meketa will launch RFPs for high yield and bank loans. On 7/1/2025, the high yield and bank loans manager will be selected and the RFP for private debt will commence with the expectation of manager selection on 4/1/2026. Meketa does intend to provide education which will include one of the managers. Jae Park moved to approve the Portfolio Transition Plan, which was seconded by April Chan. The motion passed (4-0) by the following vote AYES (A. Chan, C. Chan, M. Fefer, J. Park), NOES (none), ABSTAIN (none), ABSENT (M. Young).

Marguerite Young left the meeting for approximately five minutes, missing the item 7 vote, but rejoined before the item 8 vote.

- 8. Changing Benchmarks for Fixed Income Managers** - Meketa recommended new benchmarks for the 2 non-core fixed income funds managing our high yield and bank loans buckets, Mackay Shields and Federated to industry standard benchmarks that better align with current market conditions. Meketa discussed the differences in the new indexes. Max Fefer moved the item and seconded by Marguerite Young. The motion passed (5-0) by the following vote AYES (A. Chan, C. Chan, M. Young, M. Fefer, J. Park), NOES (none), ABSTAIN (none), ABSENT (none).

- 9. Approve Final HIB Summary of Findings Report** – Lisa Sorani presented the Health Insurance Benefit (HIB) findings. Several Board members had previously raised concerns about the projected 6-7% increase in premiums, which they felt didn’t align with historical trends. Andy Yeung from Segal explained that while past premiums were lower, the Inflation Reduction Act and rising medical costs, especially for retirees under 65, would impact future rates. Preliminary 2025 rates from Kaiser show significant increases: 11.9% for the Kaiser Senior Advantage High plan and 14% for the Low plan. The Board discussed several scenarios for adjusting the HIB, focusing on how to balance rising costs with funding limitations. Andy Yeung clarified that the HIB funding status is low due to prior benefit improvements. Marguerite Young reminded the Board that increasing current retiree benefits would require additional funding from the District. Marguerite Young noted that this report was missing costing for the scenario of PEPPA members vesting fully at year 15 instead of year 20, which led to discussion about the feasibility of implementing this change in upcoming labor negotiations. Lisa stated that she would work with Segal to bring back costing for this scenario at the September meeting.

**Public comment:** Diane Eggering urged the Board to ensure that changes to the vesting schedule should also apply to current employees. Lisa Sorani clarified that “future retirees” include current employees who have not yet retired.

Max Fefer raised concerns about rising out-of-pocket medical expenses for retirees and asked about the availability of tax-advantaged accounts. Lisa Sorani explained that Health Savings

Accounts (HSAs) are available but must be paired with high-deductible plans, and unions were not interested when the benefit was initially rolled out. Valerie Weekly mentioned that the IRS does not provide for a lot of tax advantaged plans for medical expenses. There are HRAs (Health Reimbursement Accounts), but those plans can only be funded by the employer, not via employee contributions. Jae Park requested that staff summarize the more complex motions for the Board in the future.

Clifford Chan moved to approve the Final HIB Summary of Findings Report with the requested changes to the vesting schedule, as well as the inclusion of additional cost data in the summary table. Jae Park seconded the motion. The motion passed (5-0) by the following vote AYES (A. Chan, C. Chan, M. Young, M. Fefer, J. Park), NOES (none), ABSTAIN (none), ABSENT (none).

## **INFORMATION:**

**11. Performance Report and Economic Review** – Eric Larsen provided a performance report on the Retirement System’s investment portfolio, highlighting that U.S. equities continue to outperform, driven by large-cap growth stocks in the technology sector. Emerging markets, especially China, performed well in the second quarter. It is anticipated that interest rate cuts may occur by September, with additional cuts by year-end. Upcoming political elections could introduce market volatility. The U.S. stock market’s price-to-earnings (PE) ratios remain above historical averages, suggesting possible overvaluation, while emerging markets appear undervalued. Colin Beebe added that while economic growth is slowing, it remains solid due to a strong labor market and income-led expansion. Clifford Chan asked about delinquencies in sectors such as auto loans, and Larsen confirmed there are areas of weakness, though the overall economy remains stable. April Chan noted the existence of a water index tracking private water companies, and Marguerite Young asked for clarification, which April confirmed.

**12. July 2024 LRS Pension Gold Implementation Update** – Valerie Weekly explained that testing for Deliverable 2 was currently a heavy lift for the project team and the Retirement Services team. We are experiencing some delays in our timeline. In addition, we began work on Deliverable 3. There are data conversion issues that we continue to find in PeopleSoft and ETS, where corrections need to be made. The project team finds errors and then hands them off to the appropriate HR functional team so they can evaluate and lead any correction effort. Marguerite Young asked how many people may have a changed benefit? That still needs to be examined and the scope of any corrections determined. If significant benefit changes are required, that would come back to the Retirement Board. Looking at the Ordinance, Board Rules and policies and procedures where changes may be needed.

Max Fefer raised concerns about the delay in recruiting for the Product Owner position. Cindy Charan explained that the Pension Gold implementation is part of the HRIS replacement project. She has to think about the Project as a whole, considering competencies and scope of work, to ensure appropriate staffing and support. This work has delayed the recruitment. I spoke with Valerie Weekly and Lisa Sorani, whose team is maxed out. We are also looking to contract out some Retirement Services work to provide the team with more time for the project.

## **ACTION:**

**10. Resolution Acknowledging Tim McGowan’s Service to the Retirement Board** – Jae Park read the resolution expressing appreciation for Timothy McGowan's service on the Retirement Board from January 4, 2012, to June 2024. Tim McGowan highlighted the Board’s accomplishments during his tenure, including conservative investment strategies and funding increases without placing undue burden on ratepayers or employees. Marguerite Young moved to adopt the resolution, and Clifford Chan seconded the motion. The motion passed (5-0) by the following vote AYES (A. Chan, C. Chan, M. Young, M. Fefer, J. Park), NOES (none), ABSTAIN (none), ABSENT (none).

**REPORTS FROM THE RETIREMENT BOARD:**

Max Fefer made a data request from staff, asking if they could provide a histogram of pension amounts for current retirees. This would help the Board better understand the median benefit and distribution of those benefits. Staff agreed to gather the requested data and provide to the Board.

**ITEMS TO BE CALENDARED:**

**MEETING ADJOURNMENT:**

**The next regular meeting of the Retirement Board will be held on September 19, 2024.** Jae Park asked if a motion was required or can he simply adjourn. Lourdes Matthew indicated it is at his discretion. Jae Park adjourned the meeting at 11:45 am.

**Retirement Board Meetings**

- September 19, 2024
- November 21, 2024

---

President

ATTEST:

---

Secretary

9/19/2024