

MINUTES
EBMUD EMPLOYEES' RETIREMENT SYSTEM
September 19, 2024

A regular meeting of the Retirement Board **convened at 9:03 a.m.** on Thursday, September 19, 2024. This meeting will be conducted with Retirement Board Members physically present in the Administration **Training Resource Center**, 375 Eleventh Street, Oakland, California. This location shall serve 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 will also be 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 will not be able to provide public comment via live audio stream. To participate in the meeting or provide public comment, please see the Appendix of the Agenda for instructions on joining the Zoom meeting online or by phone. Some Presenters may be attending via Zoom.

Retirement Board Members: Clifford Chan, Marguerite Young, April Chan, Jae Park, Max Fefer and Elizabeth Grassetti

Staff to the Retirement Board: Sophia Skoda, Lourdes Matthew, Cindy Charan, Robert Hannay, Lisa Sorani, Steven Goodman-Leibof, Valerie Weekly and Mae Shepherd

Consultants & Presenters: Meketa: Colin Bebee, Sarah Bernstein, and Eric Larsen; Segal: Andy Yeung

****Public Participation****

Please see Appendix at end of Agenda for Public Participation Details

ROLL CALL:

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

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.

Public comment by Diane Eggering requested a couple of tables in the guest area to accommodate those using laptops or taking notes. She also hoped that the costing for the additional HIB scenario will be addressed today. Lisa Sorani mentioned it is in today's board packet.

There was a written comment submitted this morning that was presented to the Board once printed.

REGULAR BUSINESS MEETING

CONSENT CALENDAR:

Max Fefer moved to approve the Consent Calendar. Clifford Chan seconded, and 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:

5. Declare Results of the Election of the Retiree Representative to the Retirement Board

Cindy Charan – provide update of election of retiree member. Election and certification has been completed. As secretary she reviewed the process and results. Valerie Weekly reported that during the process, it was discovered that some new retirees did not receive notice of election. Consequently, the election was extended for those 29 people to allow them the opportunity to vote. Elizabeth Grasseti was declared candidate with the votes so she will retain her seat for another term. April Chan moved to approve the item. Marguerite Young seconded, and 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).

6. Approve Meketa Contract Extension

Robert Hannay reported that Board is considering extending the Meketa contract since they have provided a high level of service since 2005 and their contract expires March 31, 2025. We are in the midst of a portfolio transition plan which will take a few years to implement. Staff is recommending extension of the contract and is happy to answer any questions. Marguerite Young asked how the fees compare to other systems with same size and complexity. We are in the bottom half when compared to similarly situate systems. Marguerite Young moved to approve the item. Clifford Chan seconded, and 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. Authorize Selection of Cheiron to Conduct Actuarial Audit

Steve Goodman-Leibof reported under Board rule B-13 an actuarial audit will be conducted every six years. During the Actuarial RFP for actuarial, we discussed conducting an audit if we continued with. In addition, since Cheiron was the runner-up in the RFP, we could use them for this purpose. Cheiron has submitted a proposal for a full audit, which includes a replication of actuarial valuations. The proposed fee is \$73,000; Meketa did confirm these fees are reasonable given the extensive proposal. Marguerite Young moved to approve the item. Max Fefer seconded, and 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:

8. Performance Report and Economic Review

Sophia Skoda introduced Eric Larsen, Colin Bebee and Sarah Bernstein from Meketa, who presented the item. Eric Larsen presented some Q2 figures that will feed into the performance report. A lot has happened since this was published. We saw continued strength in equity markets. Fixed income markets have been flat for the quarter and year to date. In addition, US Equities are still leading the way versus small cap which are negative. As of yesterday, S&P was up 19% YTD. In addition, Fixed income markets are doing well in expectation of the Federal Reserve lowering interest rates.

Yields finished slightly higher and yield curve has un-inverted. Feds cut interest rates by 50 basis points. Inflation is above Fed target, but it is dropping. Housing inflation is sticky which has propped these rates at higher levels. Unemployment has started to tick up slightly 4.1% at

end of 2nd quarter. There is expectation of 2-3 cuts before the end of the year. On page 29 of the Performance Report, there is a 46M gain over one quarter and 281M over the one year. We are above the benchmark over all periods. We are very strong as compared to peers in the 4th percentile, largely because of exposure to public equities. The plan added another 2% in July and estimate another 2% in August, approximately 10% YTD.

Max Fefer posed a question about Federal Reserve cuts. Eric Larsen said he hoped for 50 basis points. The markets started slightly positive and what we saw, Chair Powell did not really provide commentary why 50 points was needed and there was some negative reaction. Today it has manifested as good news for the market. With this cut the Federal Reserve may be on the way to elusive soft landing.

9. Update on Portfolio Transition Plan

Sarah Bernstein reported the process has gone well. The actual transition of dollars will be completed by October 1st. The cost was 14 basis points, which is quite low. We expect to be providing reports during each meeting. The next search will be looking for bank loan managers and hired in first half of 2025. Clifford Chan asked if we are on track to begin 1st phase in October. Sarah Bernstein responded yes there has been no issues that have not been resolved. In addition, staff may have comments on the new policy guidelines. Robert Hannay mentioned there are new investment agreements to be considered and then we will make changes to the investment policy which will be brought before the retirement board. Max Fefer questioned ESG consideration for new managers. Sarah Bernstein we would look at how they integrate ESG into how they operate and how they include factors. It is part of elemental review.

Marguerite Young mentioned that in the bank loans and private debt we see some opportunistic investments. She isn't sure how to identify managers who will not take part in those types of activities. Sarah Bernstein responded we can look for manager who are impact managers. We can ask explicit questions. Marguerite Young said maybe we should avoid investing in items that would contribute to headline risk, we would not want EBMUD to appear on list that points at EBMUD as not investing responsibly in relation to the community.

10. HIB Study: Additional Costing Data for Summary of Findings Report

Cindy Charan announced the item. Andy Yeung presented, reminded the Board of the 5 scenarios included in the report approved in July. An option A (1A, 2A, etc.) has been added and associated cost included. Each of the scenarios A reflects the 2013 tier with an accelerated vesting schedule, with 100% vesting achieved at 15 years of service. Max Fefer mentioned that Medicare Part B costs for most of our retirees will likely be higher than the \$174.70 cost in 2024 mentioned in the table due to the Income-Related Monthly Adjustment Amount. Max Fefer requested that Segal's report be updated with more information on Medicare Part B costs, including a mention of the Income-Related Monthly Adjustment Amount. Max Fefer also asked staff to include more information on the Income-Related Monthly Adjustment Amount in written resources to current employees so employees can adequately budget for their retirement healthcare costs.

11. Announcement of 2025 Retirement Board Calendar

No presentation was required for this item. April Chan wants to make sure the July 2026 Retirement Board meeting does not fall during the Board of Director break in the future.

12. August 2024 LRS Pension Gold Implementation Update

Cindy Charan announced that they recently made an offer to Business Systems Analyst II that is pending. Valerie Weekly reported that deliverable 2 is close to closing out testing. The Project Team has started work on deliverable 3.

PUBLIC COMMENT: The Board returned to the public comment by Ivette Rivera, which was submitted in writing. The public comment proposed using performance pay for Confidential, L21 and Management employees to fund HIB benefit increases. Lists of 2024 performance pay for these groups was attached.

REPORTS FROM THE RETIREMENT BOARD:

Max Fefer attended the CALAPRS Principles of Pension Governance for Trustees training.

ITEMS TO BE CALENDARED:

None.

MEETING ADJOURNMENT: Adjournment at 10:24 am

The next regular meeting of the Retirement Board will be held on November 21, 2024.

President

ATTEST:

Secretary

11/21/2024