

MINUTES
EBMUD EMPLOYEES' RETIREMENT SYSTEM
January 23, 2025

A regular meeting of the Retirement Board convened at 9:02 a.m. on Thursday, January 23, 2025. 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 wished to attend the meeting in person.

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 Dirk Adamsen, and Emily Klare

****Public Participation****

Please see Appendix at end of Agenda for Public Participation Details

ROLL CALL:

Present: Jae Park, Clifford Chan, Marguerite Young, Max Fefer and Elizabeth Grassetti; April Chan (absent).

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 were no public comments.

REGULAR BUSINESS MEETING

CONSENT CALENDAR:

Clifford Chan moved to approve items 1-4 of the Consent Calendar and Max Fefer seconded the motion. Max Fefer asked if Max's recommended changes were made, and staff confirmed. The motion passed 4-1 by the following vote AYES (C. Chan, M. Fefer, M. Young and J. Park), NOES (none), ABSTAIN (none), ABSENT (A. Chan).

ACTION:

1. Adopt Valuation Report – S. Skoda

Robby Hannay introduced Andy Yeung and Emily Klare, who presented the valuation for pension and HIB programs for the fiscal year ending June 30, 2024. These valuation reports will provide the basis for District and employee contribution rates for fiscal year 2026. Updated assumptions were adopted in

Nov 2024 based on recommendations from the quadrennial experience study. Annually, Segal prepares the actuarial valuation, the review of actuarial funding policies, and establish contribution rates. Segal outlines the changes in assets, liabilities, and assumptions that result in recommended contribution changes. Beneficiaries of members are living longer than expected, and it is necessary for assumptions to track with experience. There are two ways to measure funding status: derive a ratio and look at the absolute difference of assets to liabilities. Secondary measures of funded ratio are to analyze the annual demographic experience and review performance from the prior year. There are three concepts to be aware of: the actuarial funding policy that was reviewed in 2022, normal cost or the benefits earned by each employee in a given year and asset smoothing. Going forward, it is recommended the Board approve a new asset smoothing methodology, where if more or less of the assumed rate is earned, the superior/inferior investment performance is recognized and spread out over five years instead of one. The current District contribution rate is currently about 40% of payroll, a slight increase from last year. Employee contribution rates will increase overall going from 9.1% to 9.4% with the legacy plan members maintaining the same rate and an increase to the PEPRA employees.

Investment experience was a 12% total return with an actuarially smoothed return of 7.1%, which was an actuarial gain. Funding level on an actuarial basis has gone up from 75% to 76%. Changes that were made in assumptions related to retiree longevity were a major reason for the increase in the unfunded actuarial liability. The increase in member contribution rate of 0.4% is due to the change in normal cost for the plan. The 1955/1980 plan will have no change as the rate is established via MOU while the 2013 tier will be changing from 9.41% to 10.08% due to state law to cover one half of the normal cost. The increase is because the change in normal cost is greater than 1% from the last time the employee rate was set. This is only the second time this has happened since PEPRA was enacted.

Investment returns decreased the unfunded liability by \$9 million, however assumption changes increased the liability by \$25 million ultimately leading to a larger unfunded liability. If all assumptions are correct, the unfunded liability will be paid in 14 years. Investment return was \$128 million with 80% being deferred to future years. Given the smoothing of previous years, the actuarial value of assets increased by \$56 million.

For the HIB Andy commented contribution rates dropped by .03% from 4.34% to 4.31% due to increase in payroll. Funded status increased from 47.7% to 51.8%.

Young moved to approve. Clifford seconded the motion. The motion carried (4-0) by the following voice vote: AYES (J. Park, M. Young, C. Chan, M. Fefer), NOES (none), ABSTAIN (none), ABSENT (A. Chan).

INFORMATION:

2. Announce 2025 Retirement Board Election Timeline - C. Charan

Cindy Charan introduced Valerie Weekly who presented. The employee seat currently held by Jae Park expires on 6/23/2025. Staff has provided an election schedule that includes key dates. We have followed the schedule that has worked over the last couple of years and have provided dates for certain key activities.

Max Fefer expressed interest in future discussion on improving the voting process and making it more efficient. Max was concerned that there seems to be two voting periods during an election (one for the

nomination, and one for the election), and thought that might not be necessary. Max also noted the long process all the way through June. Dir. Young commented about changing term length, possibly extending the terms from 2 year to 4 years, and also stated that a nomination period ahead of voting is standard. Staff will bring this item back for discussion.

3. Performance Report and Economic Review – S. Skoda

Sophia Skoda introduced Colin Bebee who introduced Sarah Burns and Eric Larson. The total plan ended in November 2024 at a value of just under \$2.7 billion. It was a strong year for equity markets. November's return was up just over 3% and outperformed the total plan benchmark. The portfolio is up 19.2% over the trailing 12-month period. This was a strong performance from the total plan on both an absolute and relative basis. These returns were being driven by the U.S. equity portfolio. The passively managed US equities portfolio performed very well, up 34.5% over the trailing one-year period. There was additional strength coming from the covered calls composite and the U.S. equity portfolio. There was also strong performance from non-U.S. equities over the trailing 12-month period. Real estate was up just under 11% over the trailing 12-month period. Some positive returns from fixed income, up just about 8%. Continued strength out of the U.S. equity market; a lot of this had to do with the U.S. election: partly due to expectations for a potentially more pro-growth administration and policies, but also some as a result of the election. Outside of U.S., there was a struggle for emerging markets with the potential for trade-wars from the next administration. Despite a turbulent last 2 weeks of December, markets finished in positive territory driven by growth stocks, with the plan up an estimated 12%.

4. Update on Proxy Voting – S. Skoda

Sophia Skoda introduced Sarah Bernstein who provided an update on proxy voting. In recent years, we have moved to a more passive portfolio, and how our proxies are voted by Northern Trust becomes more important. In 2024, Northern Trust began talking about having a proxy voting option. The three current voting options are ISS Taft-Hartley guidelines; the socially responsible guidelines; and the ISS more borderline guidelines. What is currently not available are public pension plans guidelines which would be similar to outsourcing voting through Glass-Lewis. Northern Trust is trying to expand the options after the 2025 proxy voting season. Meketa backs staff's strategy to wait until there is a policy that more aligns with what the Glass Lewis is currently doing for the System before moving to one of the new proxy policies. The message from the Retirement Board to Northern Trust is clear that the District is interested as a public pension plan and having a voting option that is public pension plan guideline-related.

5. Update on Portfolio Transition Plans – S. Skoda

The liability study approved increases to the bank loan allocation from 2.5% to 5% and the high yield allocation from 2.5% to 7%. The plan will be to have two managers for each of these mandates.

The RFP was designed in October and released mid-November, with a good number of responses received in December. There were 38 firms and 39 strategies for a high-yield search and 29 firms and 30 strategies for the bank loan strategy 10 new firms and the incumbent for each strategy. These were narrowed down to 11 firms for high yield search and 11 for bank loans and will need to

be further narrowed to two or three that the Board will interview in March 2025. We will interview two managers if the incumbent is deemed competitive or three managers if the incumbent is underperforming. The goal is to have the funds invested by July 1, 2025.

6. December 2024 LRS Pension Gold Implementation Update - C. Charan

Cindy Charan and Valerie Weekly provided an update on the ongoing Pension Gold implementation and included an update on the HRIS core project. We are entering into a retesting phase where previously identified issues from deliverables 2 and 3 are being retested. The team has developed requirements for the HIB configuration and that has been submitted to LRS for development. The other concurrent project is the payroll replacement project which is separate project. There has been an urgent need identified that will be looked at separate from the HRIS core project, as a consultant that was supporting Payroll is terminating their support for EBMUD.

One of the things we've worked on for the last seven to eight months is building capacity, as well as looking at the bench strength of our staffing as it relates to the replacement of our HRIS core technology. The Steering Committee has approved the filling of two critical positions. The need for an Analyst II position is still acute. ; with the help of Emma Sebastian, the new IAS Administrator, the RFP process has been launched for engaging an external consultant that specializes in large technology implementation. A lot of interest has been received for the consultant RFP which expires soon.

Max Fefer asked if retirees would have access to a portal, through which they could access account information. Staff responded there would be a Pension Gold portal including self-service features. There would also be an EBMUDERS webpage accessed through EBMUD.com that will provide information to plan participants.

REPORTS FROM THE RETIREMENT BOARD:

Negotiations are underway; items being discussed cannot be publicly shared. HIB changes for retirees is not a subject of the current negotiations as that is a BOD decision. Lisa Sorani provided an update on the current outsourcing of claims processing to FBA. Various files are still needed to send data to the new vendor. The month of May is likely be the first claims reimbursement by the FBA.

Elizabeth Grassetti commented that it would be nice if the EBMUDERS landing page could be developed sooner that Pension Gold go-live. Retirees not having access to retirement board dates. Lisa Sorani responded that the dates are on the BOD calendar. Elizabeth noted that the information accessibility is about three layers deep.

ITEMS TO BE CALENDARED:

None

MEETING ADJOURNMENT: adjourned at 10:52 a.m.

The next regular meeting of the Retirement Board will be held on May 22, 2025.

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Retirement Board Meetings

- May 22, 2025
- July 10, 2025
- September 18, 2025
- November 20, 2025

President

ATTEST:

Secretary

3/20/2025