

**MINUTES**  
**EBMUD EMPLOYEES' RETIREMENT SYSTEM**  
**May 22, 2025**

A regular meeting of the Retirement Board convened at 9:03 a.m. on Thursday, May 22, 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.

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

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

**ROLL CALL:**

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

**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.

**CLOSED SESSION:** The board proceeded into a closed session at 9:06 a.m., to discuss the application for disability retirement by Jennifer Ingram. This was conducted under Government Code Section 54957. No reportable action resulted from the closed session, and the board resumed to the regular agenda at 9:16 a.m.

**REGULAR BUSINESS MEETING**

**CONSENT CALENDAR:**

The consent calendar included four items. Discussion centered around Item 1, the approval of minutes, which involved the adoption of a cost-of-living adjustment (COLA). Elizabeth Grasseti pointed out that the language in the draft minutes was unclear, specifically noting the reference to "San Francisco determined COLA" without specifying the CPI-U (Consumer Price Index for All Urban Consumers). Additionally, a numerical correction was needed—the document inaccurately mentioned a 2.2% increase, while the correct figure should be 0.02 (2%).

A motion to approve the Consent Calendar, Items #1 through #4, was made with corrections to Item #1, the approval of minutes, by Clifford Chan and seconded by Director April Chan. The motion passed 5-0 by the following vote AYES (A. Chan, M. Young, C. Chan, M. Fefer, and J. Park), NOES (none), ABSTAIN (none), ABSENT (none)

## **ACTION:**

### **5. Declare Results of the Election of an Employee Member of the Retirement Board – L. Sorani**

Valerie Weekly reported that the Retirement Board election began in February and had two candidates: Jae Park and Victor Prado. A total of 351 votes were cast via SurveyMonkey, with Jae Park receiving 256 votes and Victor Prado receiving 79. Though the board's usual election certifier, Cindy Chiran, was unavailable, Lisa Sorani stepped in to certify the election. Jae expressed gratitude for the support and affirmed his enthusiasm for continuing to serve.

A motion to confirm re-election of Jae Park to the Retirement Board. was made by Director Marguerite Young and seconded by Max Fefer. The motion passed unanimously with no opposition or abstentions. The motion passed 5-0 by the following vote AYES (A. Chan, M. Young, C. Chan, M. Fefer, and J. Park), NOES (none), ABSTAIN (none), ABSENT (none)

### **6. Declare Interest Rate to Apply to Balance of Member Contributions and Interest for Period Ending December 31, 2024 – L. Sorani**

The interest rate to apply to member contribution balances for the period ending December 31, 2024 was discussed. Lisa Sorani explained that, according to the retirement ordinance, the declared interest rate must be the lesser of the assumed actuarial rate or the 5-year average rate of return. For this period, the assumed rate is 6.75%, and the 5-year average is 7.2%, so the applicable interest rate will be 6.75%. This will be prorated to a semi-annual rate of 3.375%, and interest credited to employee accounts on June 30th, based on balances as of December 31, 2024.

A motion was made and approved to apply the interest rate by Max Fefer and was seconded by Director April Chan. The motion passed 5-0 by the following vote AYES (A. Chan, M. Young, C. Chan, M. Fefer, and J. Park), NOES (none), ABSTAIN (none), ABSENT (none)

## **INFORMATION:**

### **7. Performance Report and Economic Review – S. Skoda**

Colin Bebee from Meketa presented the economic overview and investment performance report. The update focused on the economic climate through March and April 2025, with some data as recent as two days before the meeting. The speaker highlighted that diversification is beginning to yield tangible benefits. In the first quarter, commodity markets—particularly gold—performed strongly due to concerns about currency debasement. Notably, non-U.S. developed markets outperformed U.S. equities by around 15% year-to-date, signaling a shift from the post-2008 trend of U.S. market dominance.

Regarding interest rates, the speaker noted an uptick in long-term Treasury yields, which have exceeded 5% for 20- and 30-year bonds. This is seen as a reaction to U.S. fiscal concerns, particularly after a weak Treasury auction and continued skepticism about deficit-reduction efforts. Other developed economies, including the UK, Japan, and Australia, are facing similar pressures. Credit markets, however, remain stable, with credit spreads below historical averages, suggesting no immediate corporate credit concerns despite recent equity market volatility.

Inflation, while reduced from 2022 peaks, still sits above the Federal Reserve's target. Uncertainty around tariffs and policy changes makes future inflation data unpredictable, complicating potential interest rate cuts. The labor market remains strong, although a small rise in unemployment is being closely watched. Consumer debt was also discussed, with particular focus on growing credit card and auto loan delinquencies. Though overall debt levels look less severe when measured against GDP or household wealth, signs of financial strain are beginning to emerge. High interest rates have also effectively locked many homeowners into their low-rate mortgages, reducing financial flexibility if job losses increase.

Turning to EBMUD's portfolio, it was reported that the plan remains in the top quartile of public pension funds over one-, three-, five-, and ten-year periods. This is notable given its relatively low allocation to private markets, which typically obscure short-term volatility. Despite a volatile start to April, markets stabilized, and the portfolio returned 0.5% for the month. By late May, the portfolio was up roughly 3% for the month, although that gain has since moderated. Asset values totaled approximately \$2.6 billion at the end of April, with allocations remaining within policy ranges, albeit slightly overweight in domestic equities and underweight in core fixed income. As manager transitions occur, rebalancing is expected to bring allocations closer to targets.

Performance across asset classes aligned closely with benchmarks, with no major deviations. A key highlight was the ongoing outperformance of non-U.S. equities relative to U.S. equities over the past year, though U.S. markets still lead over the long term. The speaker concluded by emphasizing that while EBMUD's portfolio is stable and well-managed, macroeconomic risks—particularly rising long-term interest rates, global fiscal challenges, and consumer financial vulnerabilities—remain important issues to monitor.

## **8. Portfolio Implementation Update – S. Skoda**

Colin Bebee from Meketa provided an update on the investment transition plan, noting that everything remains on schedule. The evolving policy plan, which was approved in July 2023 after the Asset Liability Study, has completed its first two stages. Stage 0 involved preparation, including working with Northern Trust's Transition Management team and adjusting benchmarks for non-core fixed income managers. Stage 1 implemented policy changes by reducing allocations to REITs and covered calls, increasing U.S. equity exposure, and conducting manager searches for high yield and bank loans.

The committee is now preparing for Stage 2, which involves funding the newly selected high yield and bank loan managers with approximately \$65 million by the end of June. This funding will primarily come from terminating the Parametric BXM covered call strategy. The goal is to have all transitions completed by July 1, with the new managers fully in place and reflected in Q3 performance data. The timing is considered favorable due to current market conditions, including higher yields and wider credit spreads. Following this phase, the next focus will be on exploring a private credit allocation, starting with education and an RFP process.

Additionally, Sarah Bernstein of Meketa announced her retirement by the end of the year, marking a personal and professional transition. She expressed appreciation for her time working with EBMUD and emphasized Meketa's ongoing commitment to ESG and sustainability principles. Board members and staff offered heartfelt thanks, highlighting her influence in advancing EBMUD's corporate governance and ESG practices. To ensure continuity, Meketa plans to introduce Paula Nealon as a new co-lead for EBMUD in July, alongside Colin Bebee.

Erica Olson will take on leadership of sustainability and ESG efforts. Meketa reaffirmed its dedication to supporting EBMUD's priorities and maintaining the high standard of service Sarah Bernstein helped establish.

#### **9. Private Placement Update – S. Skoda**

Colin Bebee from Meketa addressed private placement. Private placement is a lingering issue first identified in 2018 when it was discovered that the fund still held pre-IPO shares from its previous investment with T. Rowe Price. Since then, Meketa has provided annual updates. Out of five original holdings—Airbnb, Uber, WeWork, Didi, and Magic Leap—only Didi and Magic Leap remain. The committee successfully exited the first three following their IPOs.

Didi's situation is complex. Although it IPO'd in 2021, it was forced to delist from the New York Stock Exchange by Chinese regulators and has since discussed relisting in Hong Kong. EBMUD continues working with Northern Trust to validate its Didi shares so they can be sold once a suitable listing occurs. Meanwhile, Magic Leap, a hardware company in the AR/VR space, has not signaled plans for an IPO. However, it recently received significant investment from the Saudi Sovereign Wealth Fund and formed a partnership with Google, potentially setting the stage for future developments. Due to the lack of transparency and liquidity in private secondary markets, EBMUD has opted not to sell these holdings outside of public markets.

#### **10. Discuss Segal Response to Cheiron Recommendations – S. Skoda**

Andy Yeung and Emily Klaire of Segal discussed Segal's response to recommendations made by Cheiron in their recent actuarial audit. Andy Yeung acknowledged minor differences between the two firms' valuations, primarily due to rounding methods and procedural variances. The difference in contribution rates amounted to just 0.24% of payroll, which both parties considered immaterial.

Cheiron's suggestions focused on improving transparency and depth in future actuarial reports. For experience studies, they recommended using a broader historical dataset and monitoring mortality assumptions—particularly for female retirees—more closely. Segal explained that due to the low number of observed deaths in that subgroup, it lacked the statistical credibility to adjust the assumptions. Still, they agreed to consider presenting more detailed data in future reports.

Cheiron also suggested Segal provide long-term projections of contribution rates. Segal supported the idea but recommended keeping projections separate from the annual valuation discussion due to time constraints and the complexity of the material. Segal confirmed that such projections will follow the June 30, 2025 valuation.

The audit proposed a more segmented approach to asset smoothing between pension and health plans. Segal explained that while feasible, such a change would not meaningfully affect contribution rates, as both liabilities are ultimately funded by the district. Therefore, no change is currently recommended unless directed by the Board. There was general agreement that the audit was thorough and beneficial, and Segal expressed appreciation for the opportunity to respond and improve future reporting.

#### **11. Update on HIB Outsourcing – L. Sorani**

Lisa Sorani provided an update on the transition of Health Insurance Benefit (HIB) reimbursement administration to FBA, a third-party vendor. Since the March board meeting,

EBMUD conducted significant outreach to retirees, including mailing letters and hosting three well-attended informational meetings. These meetings were accessible in-person, via Zoom, and live-streamed. The primary message was to inform retirees that their April pension checks would no longer include the HIB reimbursement directly and that these payments would instead be processed separately by FBA.

While most retirees received their reimbursements within one to three business days, about 73 experienced delays due to a formatting error in banking data exported from PeopleSoft. The issue was identified and corrected promptly, and those affected were paid by May 8. Retirees were contacted individually via email or phone with an explanation and reassurance.

The transition also included the rollout of FBA's online portal and mobile app, allowing retirees—especially those with non-district insurance plans—to submit claims electronically. While some retirees questioned the need to create portal accounts if they use only district-provided insurance, staff encouraged everyone to register as a best practice for future needs. Feedback from retirees also highlighted a need for clearer communication, especially about how to access FBA's services if they misplace original instructions. Staff acknowledged this and said they would work on better visibility of that information.

Audit letters, which will now come directly from FBA, are expected to be mailed in early June. These will include clear instructions for submitting claims either online or by mail. The plan is to eventually shift the audit schedule so retirees can submit claims earlier in the year, aligning with when they typically receive updated insurance information.

Currently, there are about 2,020 retirees receiving HIB reimbursements, with around 1,300 using district health plans in some form. Approximately 900 spend their entire HIB on district-provided coverage. Medicare Part B, although often reimbursed, is not considered a district plan. The meeting also addressed retiree questions about why those who deferred retirement are not allowed back into district insurance plans later. Staff explained that this is a district policy designed to manage health risk and comply with carrier rules, particularly with UnitedHealthcare's plan under ACWA JPIA, which prohibits late enrollment.

Lisa Sorani noted that while the transition to FBA had some initial issues, most retirees are now receiving their benefits smoothly, and ongoing support is available through EBMUD's hotline and retiree inbox. The retirement team continues weekly coordination with FBA to fine-tune the process.

## **12. May 2025 LRS Pension Gold Implementation Update – L. Sorani**

An update was provided on the LRS Pension Code implementation. The project continues to make progress, with ongoing efforts to fill key staffing needs. The HRIS Analyst II position is expected to be filled by the end of June, following interviews held in mid-May. The delay in onboarding is partly due to internal transitions if the hire comes from within the organization. Additionally, a consulting firm is being selected to assist with reviewing and updating the original 2022 RFP for the broader HRIS core project, as well as assessing staffing competencies and needs.

Another related effort is the Emergency Payroll Replacement Project, which is still under evaluation. While the current payroll vendor has extended support for two more years, decisions are being finalized to ensure alignment between the payroll systems and the pension system's data needs, since pension processing relies heavily on accurate payroll data.

The LRS team has started work on the fourth major software deliverable—pension benefit administration. Training with LRS has taken place, and testing began this week. The team is also addressing issues flagged during earlier testing rounds and working closely with payroll staff to understand the downstream impacts of any changes.

In terms of onboarding the new HRIS Analyst, the team has identified lower-barrier tasks, such as retesting previously completed test scripts, to get them engaged quickly even before they are fully onboarded.

The meeting closed with a request for an informational memo about UnitedHealthcare access issues, particularly for retirees living out of state. Staff committed to following up, clarifying that the UnitedHealthcare plan used by EBMUD retirees is governed by ACWA JPIA and not the broader Medicare Advantage plan.

**REPORTS FROM THE RETIREMENT BOARD:**

There were no reports.

**ITEMS TO BE CALENDARED:**

None

**MEETING ADJOURNMENT:** Meeting adjourned at 10:45 a.m.

**The next regular meeting of the Retirement Board will be held on July 10, 2025.**

**Retirement Board Meetings**

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

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President

ATTEST:

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Secretary

7/10/2025