

MINUTES
EBMUD EMPLOYEES' RETIREMENT SYSTEM
November 21, 2024

A regular meeting of the Retirement Board convened at 9:05 a.m. on Thursday, November 21, 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 wished to attend the meeting in person.

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

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, Emily Klare, and EBMUD Finance: David Glasser

****Public Participation****

Please see Appendix at end of Agenda for Public Participation Details

ROLL CALL:

Present: Jae Park, Clifford Chan, April Chan, Max Fefer and Elizabeth Grasseti. Marguarite Young joined at 9:10 a.m.

Lisa Sorani noted that staff who is running the meeting is doing so remotely and pointed out that it is very important for us to use our microphones and make sure that we are clear when requesting navigation for the Retirement Board packet.

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.

Diane Eggering, Accounting Tech for EBMUD and representative for Local 2019. Diane thanks staff for arranging for the tables for the audience. She looks forward to hearing about the Health benefit rates, which is, item number 14.

There were no other public comments.

REGULAR BUSINESS MEETING

CONSENT CALENDAR:

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

ACTION:

1. Declare Interest Rate Credited to Members – C. Charan

Valerie Weekly presented, outlining the methodology for determining the annual interest credited to member accounts. The resolution declares the interest rate of 6.75%, and the rate credited to members' accounts will be prorated semi-annually to 3.375%. Max Fefer moved the item; April Chan seconded that motion. 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)

2. Adopt Actuarial Experience Study Review – S. Skoda

Sophia Skoda introduced the item and Andy Yeung, Dirk Adamson and Emily Klare of Segal presented. Andy Yeung reminded the Board that experience studies were conducted every 4(four) years, while the economic assumptions are reviewed every 2(two) years, but Segal recommended conducting full studies every 4(four) years. The intent of the study is to illustrate how the assumptions are holding up. Segal will also provide the summary of any recommendations.

If the assumptions were to be approved by the board today, they wouldn't be adopted until we implement the June 30, 2024 valuation for Fiscal Year 2026.

Segal's role is to make recommendations to the assumptions, based on actuarial standards of practice. The detailed report refers to them generally as the actuarial standards of practice, two of which are applicable, setting of the economic assumptions and setting of demographic assumptions. Economic assumptions are the assumptions used to anticipate how the assets will grow from one year to the next, such as investment return, inflation and cost of living adjustments. This experience study reviewed the investment return assumptions under a different model called the Geometric Average. The new model did not indicate any needed changes. Demographic assumptions include mortality and retirement rates. Going forward Segal will use a different set of demographic and salary increase assumptions for the 2013 Tier employees than the 1955/1980 employees.

Segal is recommending an update to the mortality tables to use the most up to date available. Segal also changed the projections to increase life expectancy for beneficiaries where the member is living longer when compared to those of members who have passed. Segal has also lowered the disability projections based on actual experience. The termination rate increased, and members are retiring from District at a slower pace. Future retirement rates will be lower for both tiers. Clifford Chan asked if members are retiring later in life? Andy responded they are retiring later. Members have an increased amount of sick leave at time of retirement. Segal reviewed the percentage of males married. No recommended changes for males, but there are recommending changes for females. There are a greater proportion of employees hitting the pensionable salary cap now 1 of every 5 members. Taking this into account will stabilize contributions.

Max Fefer asked if the two big factors that employees are retiring later and living longer? Andy responded that it is primarily the change in the mortality tables for the beneficiaries the change in the amount of members that have a spouse at time of retirement but for 2013 Tier employees the change is mostly due to change in the methodology. The methodology develops the normal cost using the compensation cap in the development of normal cost instead of at the end of the

process. If the new assumptions had been applied to the 2023 valuations, we would have recommended an increase to the 2013 Tier employee contribution rate as the normal cost would have risen more than 1% from the last time the rate was set. More members are leaving and then coming back to retirement and are getting the HIB benefit. The HIB information assumes the current level of benefits. The experience study shows no need to change the inflation assumption but recommends updating assumptions to reflect changes in salary increases and the rate of retirement.

Max Fefer moved adoption of the actuarial experience study, which was seconded by Clifford 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)

Meeting break 10:22-10:36am.

INFORMATION:

3. Performance Report and Economic Review – S. Skoda

Colin Bebe from Meketa presented. Very strong 2024 builds off of very strong 2023. YTD S&P 500 is up 22% with ACWI up 19%. Fixed Income is up 4.4%. The Equity markets are seeing more breadth. There was a decline in US dollar has been increasing, which has been a headwind for foreign markets. Fixed income had a 4% return, yet potentially higher inflation and tariffs. %. Q4 returns have not been great, but due to a strong Q3, the overall year will be strong. The US yield curve long term yields stayed pretty much the same, but short-term yields have dropped due to drops in Fed 30-year bond by about 4.6 Slide 148 total portfolio return is strong across the board for the quarter. Ranked in top 12% and EBMUDERS has no dedicated investment staff, nor the resources of larger boards. Slide 171 on the left side is risk return versus peers over 3 years, and over 5 years on the right. In a comparison of peers, we fall in the top quartile over all periods.

4. Present Audited Financial Statements – S. Skoda

David Glasser presented. It is a report on the District's financial condition. It does not say if bad or good, it is just an accurate statement for board and public to review. The auditor gave the report a clean opinion. The auditors rely heavily on information provided by Segal.

5. Update on Portfolio Transition Plan – S. Skoda

Sophia Skoda – introduced Colin Beebe. The transition away from Van Hulzen and Reits is on track. Will be conducting a manager search for high yield and bank loans. We are currently on schedule but hope to report ahead of schedule during next update.

6. Update on High-Yield and Bank Search – S. Skoda

This item was presented by Colin Beebe. They will need feedback on the interview process from the Board. They sent out/publicly released an RFP on November 13 with a due date of December 9, which has received 16 responses so far. Intent is to bring 2-3 finalists per mandate. Asked if the Board would like to review the current managers if they believe that they are not as competitive than the Board would like. Max Fefer asked whether the ESG questions were standard Meketa questions or developed specifically the System? Colin responded that it was a little of both, staff was involved in the development process.

7. Review of Stage 1 of Portfolio Transition – S. Skoda

This was presented by Colin Beebe. This is a unique process but is cost effective for EBMUD. Van Hulzen's transition process involved selling equities, buying back calls, and purchasing the Russell 3000 index fund. Northern Trust liquidated the Center Square account, resulting in low transaction costs.

8. Annual Proxy Voting Update – S. Skoda

Sophia introduced the item and Sarah Bernstein presented. Matt from Glass Lewis presented. There was a 5% increase in shareholder proposals. They saw an overall increase in support. We are considering increasing what other proxy voting is available to you by using Northern Trust. They have a service for proxy voting that was not available a year ago. About 10% was voted by Glass Lewis while 90% was voted by Northern Trust. There is an overlap between the two. The results of Glass Lewis voting reflect a 2% drop in management because there has been strengthened requirements around gender diversity, sustainability and social responsibility. There was lower support in ESG 64% compared to prior of 67. 95% of proposal votes by Glass Lewis were also voted by NTAM.

Northern Trust discussed Proxy Voting Trust Choice, which is non pass thru voting. It allows for the election into a different set of guidelines. It is a voluntary choice. If you do not like guidelines, you can opt in or out. Why consider this change? Views on issues such as auditor tenure, or specific topics that are environmentally or socially themed can be quite different. They decided to offer four choices, NT customer, ISS Socially Responsible, ISS Taft Hartly, ISS board aligned. More information was requested for this topic. This would come back to board in January.

9. CEM Benchmarking Update – S. Skoda

Steven Goodman-Leibof presented. EBMUDERS is considered a small, and low cost compared to pension systems across the country. Marguarite Young commented that low-cost was not always a good place to be. Our largest out-performer was the covered call portfolio. Our portfolio looks a riskier because we are investing for the long-term. Fees have decreased because staff has done a good job of negotiating fees.

10. Announce 2025 Retiree Health Benefit Rates – C. Charan

This item was presented by Lisa Sorani. A similar report was provided to the Board of Directors regarding all health plans.

11. Status of Disability Earnings Income Verification for 2024 - C. Charan

This item was presented by Valerie Weekly. The Retirement team used the same process for evaluating earnings of retirees with a disability retirement who reside in California. The Retirement Ordinance states staff should require the provision of Federal and State tax filings to document earnings for retirees living outside of California. Since this is the first year implementing this Ordinance language, staff will provide several reminders and calls to unresponsive retirees before suspending their benefit.

12. October 2024 LRS Pension Gold Implementation Update - C. Charan

Lisa Sorani introduced Emma Sebastian, new Product Owner for the HRIS Replacement Project. Lisa Sorani presented the Project Sponsor report on the Pension Project and a new Payroll

replacement project. Marguarite Young recommended an update for the Leg/HR Committee. Valerie Weekly presented an update on the Pension Project. The team is approaching the end of testing for Deliverable 3, Payroll and COLA. Issues identified in Deliverable 2 went back to LRS correction and will be retested. We are making process on getting paper documents into a format to load to Pension Gold. Have started working on several new business practices. Staffing continues to be a risk.

REPORTS FROM THE RETIREMENT BOARD:

NONE

ITEMS TO BE CALENDARED:

NONE

MEETING ADJOURNMENT: Mtg adjourned at 12:04pm

The next regular meeting of the Retirement Board will be held on January 23, 2025.

Retirement Board Meetings

- January 23, 2025
- March 20,2025
- May 22, 2025
- July 10, 2025
- September 18, 2025
- November 20, 2025

President

ATTEST:

Secretary

1/23/2025