

MINUTES
EBMUD EMPLOYEES' RETIREMENT SYSTEM
July 10, 2025

A regular meeting of the Retirement Board convened at 9:01 a.m. on Thursday, July 10, 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 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.

There was a public comment from Diane Eggering, membership secretary of Local 2019. Diane Eggering expressed gratitude to the Board for their many hours of work, research, and recommendations concerning the Health Insurance Benefit (HIB) increase and acknowledged that the increase was the direct result of their diligent efforts.

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. The Board addressed the disability retirement application submitted and voted in favor of approving the application. There were no objections. The board resumed to the regular agenda at 9:15 a.m.

REGULAR BUSINESS MEETING

CONSENT CALENDAR:

The consent calendar included four items, approval of May 22, 2025 minutes, ratifying and approving Investment Transactions by Retirement Fund Managers, Short-Term Investment Transactions, and Treasurer's Statement of Receipts and Disbursements for April 2025 and May 2025.

A motion to approve the Consent Calendar, Items #1 through #4, was made by Clifford Chan and seconded by Director Marguerite Young. 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. Commending Sarah Bernstein's Service to the Retirement System – S. Skoda

The Retirement Board provided a formal recognition and farewell for Sarah Bernstein, who was attending her final meeting with the Retirement Board. President Jae Park introduced the Retirement Board Resolution Number 7033 and was read by Sophia Skoda, which honored Sarah Bernstein for her years of service to the East Bay Municipal Utility District Employees Retirement System. The resolution noted that Sarah began working with the retirement system in 2015 while at PCA, prior to its merger with Maketa in 2019. In her capacity as Head of Sustainability, Sarah contributed significantly to the retirement system's investment portfolio development with particular focus on the integration of environmental, social, and governance (ESG) principles into investment decision-making.

President Jae Park and other Board members offered personal thanks to Sarah, praising Sarah Bernstein's efforts in organizing ESG training sessions for the Board and leveraging her professional network to bring in high-level experts and speakers, many of whom had a lasting impact on the Board's approach to sustainability. The resolution acknowledged her leadership in aligning the Board's proxy voting practices with its broader mission and amplifying its presence and influence within the sustainable pension investment space.

In response, Sarah Bernstein expressed her gratitude to the Board and staff, noting that working with EBMUD over the years had been a privilege and a highlight of her career. She expressed hope of maintaining professional relationships with Board members in the future.

A motion to commend pass Retirement Board Resolution Number 7033 was made by Director Marguerite Young and seconded by Clifford Chan. 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. Authorize Segal Contract Extension – S. Skoda

Segal current contract ending April 2025. Staff recommendation to authorize a three-year extension with five one-year options of the actuarial services contract. The fee increases range between 2.9% and 2.3% for the three- year extension and five one-year extension options. Staff explained that Segal has consistently delivered services of a very high quality including assisting with the Health Insurance Benefit (HIB) scenarios, calculations, and answering questions. The recommendation to extend Segal's contract aligns with the assessment made two years prior.

Max Fefer requested clarification on the three-year extension with five one-year options. The original RFP proposal was initially for a five-year contract with pricing included for five one-year options. The current recommendation is to honor the fee schedule presented during the RFP starting with what would have been year three of the RFP proposal.

Clifford Chan motioned to extend the contract, which was seconded by Max Fefer. 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 introduced Paola Nealon who is the second consultant and Sarah Bernstein's backfill. Paola Nealon has been with Meketa for over seven years and has worked mostly with public plans. Paola reaffirmed its dedication to supporting EBMUD's priorities and maintaining a high standard of service.

Colin Bebee presented the economic overview and investment performance report. Colin discussed how asset class diversification was beginning to show positive results, notably in non-U.S. developed markets which saw up to a 20% return, partly due to a depreciating U.S. dollar. Despite ongoing geopolitical issues and global tensions, the year-to-date market performance was strong, with the S&P 500 up 7%, emerging markets nearly 16%, and bonds between 3.5% to 5%.

Colin emphasized that market predictions are unreliable, and that current domestic equity returns showed strength across sectors. Developed markets showed strong returns, particularly due to currency effects, with year-to-date gains in the range of 10%. The MSCI EAFE index, when adjusted for local currency, showed a gain of approximately 7.6% in May alone, with the remaining performance driven by the depreciation of the U.S. dollar.

Foreign equity returns were notably impacted by currency fluctuations, and fixed income returns reflected changes in U.S. Treasury yields following Federal Reserve actions. While long-term yields approached 5%, credit spreads remained tight, signaling low perceived risk by bond investors. Inflation measures were easing but remained above the Fed's 2% target, and unemployment remained low, suggesting a resilient labor market.

May's interim report showed the plan beginning with \$2.6 billion and gaining over \$104 million through investments, closing the month at \$2.7 billion. The plan consistently outperformed its benchmark over multiple time periods. The return was 11%, which is equal to the total benchmark return of 11% and remains above the plan benchmark by 0.5% over a 10-year period. Asset allocations were being rebalanced, especially reducing overexposure to domestic equities and adjusting covered calls and fixed income distributions. Performance across asset classes was solid, with U.S. and non-U.S. equities posting strong returns, while fixed income slightly lagged. Covered calls outperformed their benchmark due to diversified strategies.

8. Portfolio Implementation Update – S. Skoda

Colin Bebee from Meketa gave an update on the Stage 2 portfolio implementation process, which began on July 1. It was confirmed that everything remained on schedule. Key manager transitions occurred on time, including terminating Federated and reallocating funds to newly selected high-yield and bank loan managers. Recent manager changes included the addition of Brigade for high-yield, and Beach Point and Aristotle for bank loans while McKay Shields was retained for high-yield. Federated was terminated and its assets transitioned via Northern Trust. Covered call exposure was also reduced, and assets moved to core fixed income. The transition involved moving \$246 million and incurred costs of only about \$30,000, well within pre-trade estimates. The transition was executed smoothly with low costs and no major deviations from the approved policy.

9. Private Credit Training Update – S. Skoda

The Board received a detailed training session on private credit investment. This was part one of a two-part education series. This session focused on introducing Board members and staff to private credit strategies and implementation methods. The discussion explained the rationale for investing in private credit including tighter banking regulations, increasing demand from mid-sized companies, and the appeal of execution certainty and industry expertise offered by private credit managers.

Meketa explained that private credit has grown substantially and now matches the size of the high-yield and bank loan markets at around \$2 trillion. The training outlined the difference between public and private credit, as well as the types of credit investments, including direct lending and asset-based lending. The recommended structure for the Board's entry into private credit is the evergreen model, which allows for ongoing reinvestment and less administrative burden than traditional drawdown funds. This method allows for continuous reinvestment and gradual unwinding, in contrast to the drawdown model which requires repeated commitments and is more resource intensive. This structure is increasingly used by public funds and is more feasible for plans without dedicated investment staff. The evergreen model also provides flexibility in exiting, although it may take up to three years to fully withdraw capital. Meketa explained that risks are significant and should not be underestimated; private credit is not a substitute for core fixed income.

The market for private credit has grown significantly, making it comparable to the bank loan and high-yield markets. The Board advised that while risk remains, private credit offers appealing risk-adjusted returns and more consistent capital recycling than private equity. They plan to issue an RFP in the summer and conduct a second training session in September and come back in November with manager recommendations. The follow-up training will include more detail and input from Meketa's private credit specialists.

10. Discussion regarding United Health Care – C. Charan

The Retirement Board discussed an inquiry from a retiree about the district's health plan provider, United Healthcare (UHC). Concerns have been raised due to recent negative media reports, a significant drop in UHC's stock price, credit rating downgrades, leadership changes, and legal scrutiny. Despite these concerns, staff confirmed that while these developments were real, they had not yet impacted on the district's rates or service quality. The District and their broker Alliant reported that UHC remains the largest Medicare Advantage provider in the U.S. and UHC remains a strong Medicare Advantage provider. CalPERS continues to use them. While issues exist industry-wide with Medicare Advantage insurers, including allegations of improper claim denials and AI misuse, no immediate action is planned. The district accesses UHC via the ACWA JPIA, which would take the lead in any changes. While other providers such as Anthem, Aetna, and Humana have also faced similar issues and alternatives exist, given the plan's benefits for retirees, especially those living outside California, and limited options on the open market, no immediate changes were recommended. Staff will continue to monitor the situation.

11. Update on Negotiations – HIB DC Incentive and Delta Dental Update - C. Charan

Staff updated on employee benefit changes following the July 8 ratification of a new memorandum of understanding with union groups. Changes included an increase in the deferred compensation incentive for PEPRA members from \$1,000 to \$1,600 starting in March 2026, with future increases tied to the CPI-W. Concerns about Delta Dental coverage were referred to a joint labor-management committee. Most notably, the Health Insurance Benefit (HIB) was restructured. Beginning in January 2026, retirees will receive a flat-rate benefit, no longer split between single and married categories, and the amount will be indexed to the cost of the Kaiser Senior Advantage Couple Plan. The benefit will start at a minimum of \$605 per month, increasing annually by up to 3 percent based on rate changes. A carryover system was introduced to handle excess or insufficient increases. Eligibility for the new HIB begins with retirements on or after July 28, 2025. Additionally, PEPRA members with 15 years of service will now be fully vested in HIB benefits, compared to 20 years for classic members.

During the discussion, Elizabeth Grasseti, retiree representative on the Retirement Board, commented that retirees expressed dissatisfaction with being excluded from the new benefit

structure. Elizabeth voiced frustration that retirees have no formal representation in negotiations and no path to benefit increases. Elizabeth raised concerns about the ordinance's implementation timeline and questioned whether the new HIB tier had been formally added. Staff clarified that retirees before July 28, 2025, would remain under the old structure, and current employees planning retirement are being informed of these changes in advance. Elizabeth also stated that several retirees referenced historical agreements in which unions negotiated on behalf of retirees, and requested the Board revisit those commitments. Staff and Board members emphasized that retiree benefit changes are not within the Retirement Board's authority but rather are under the purview of the district's Board of Directors. The Retirement Board, which acts only as an administrator. While retirees raised concerns about being left out, the Board noted financial constraints and legal limitations on extending new benefits to existing retirees and to expand retiree benefits retroactively.

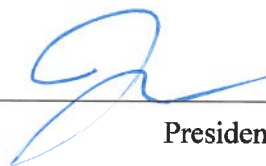
REPORTS FROM THE RETIREMENT BOARD:

There were no reports.

ITEMS TO BE CALENDARED:

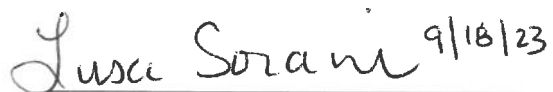
None

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



President

ATTEST:



Secretary
acting for C. Chavara

9/18/2025