

**MINUTES**  
**EBMUD EMPLOYEES' RETIREMENT SYSTEM**  
**September 18, 2025**

A regular meeting of the Retirement Board convened at 9:02 a.m. on Thursday, September 18, 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.

Diane Eggering, an accounting technician representing Local 2019, requested that future meeting materials and presentations refer to both electronic and paper page numbers to reduce confusion when navigating large packets.

A second comment was shared via email from retiree Theresa Edwards, who expressed concern about the absence of health benefit rates in the meeting packet ahead of open enrollment. She also asked whether United Healthcare's decision to drop some Medicare plans impacted retiree plan rates. Staff responded that rates were finalized later than usual, so they were not ready for inclusion in the board packet. Brochures containing final rates will be mailed to retirees three weeks before open enrollment, which begins on October 20.

There were no further public comments, in person or online.

**REGULAR BUSINESS MEETING**

**CONSENT CALENDAR:**

The consent calendar included four items, approval of July 10, 2025, minutes, ratifying and approving Investment Transactions by Retirement Fund Managers, Short-Term Investment Transactions, and Treasurer's Statement of Receipts and Disbursements for June 2025 and July 2025.

A motion to approve the Consent Calendar, Items #1 through #4, was made by Clifford Chan and 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)

## ACTION:

### 5. **Recommend Retirement Ordinance Amendment to Increase the Elected Term for Employee and Retiree Elected Members from 2-Years to 4-Years – L. Sorani on behalf of C. Charan**

The Board then discussed a proposed amendment to the Retirement Ordinance (Section 4A) that would increase the term length of elected Retirement Board members (both employees and retirees) from two to four years, beginning with elections after January 1, 2026. The amendment is minor in wording but significant in impact, and the proposed language was read aloud during the meeting. The longer term would align more closely with the Board of Directors' terms.

If approved by the Board, this ordinance amendment must also be approval by the Board of Directors following a first and second reading. The amended language must also be published in the newspaper for 30 days before it takes effect.

Jae Park recalled that staff had previously mentioned including language that would stagger the implementation of the 4-year term for one of the seats to avoid having multiple elections in the same year. Clifford Chan pointed out that the MUD Act includes language allowing some flexibility terms for the District's Board of Directors. Jae Park asked that this item be tabled until after the informational items were presented. This would allow staff to draft language, including transition language, for the Board's review before taking action.

Once the Board returned to this item, Diane Eggering (Local 2019) made a public comment, suggesting that candidates should be vested before running for a Retirement Board seat. Max Fefer commented that that members make contributions prior to vesting and Max trusts the voters to pick the right candidate. Staff noted that such a change would require an ordinance amendment.

Marguerite Young mentioned that there has been low candidate interest and voter turnout. Staff should consider ways to increase election engagement, including possible candidate forums. Lourdes Matthew will provide guidance on permissible election communications. Staff intend to propose an Election Board Rule ahead of the 2026 elections. Marguerite Young also requested historical voter turnout data.

Staff revised their recommended Ordinance amendment language as follows:

The Retirement Board shall consist of three members appointed by the Board of Directors of the District and two members elected by and from the membership of the Retirement System; provided however that a non-voting Retired Member chosen by an election process held among Retired Members shall be a representative to the Retirement Board and shall serve a period of two years, **or if elected or re-elected on or after January 1, 2026, shall serve a period of four years, except that in order to stagger the elections of the three elected Retirement Board members, the Retired Member elected in 2026 shall initially serve a period of three years, thereafter the Retired Member shall serve the period of four years.** The two Members so elected by and from the membership shall serve a period of two years, **or if elected on or after January 1, 2026 shall serve a period of four years,** and the remaining three members shall serve until their successors are appointed. Vacancies in the case of the elected members shall be filled by special election. Other vacancies shall be filled by appointment of the Board of Directors of the District.

Director Marguerite Young moved the Retirement Board to recommend the Retirement Ordinance be amended to increase the term from 2-Years to 4-Years, with the exception that the 2026 Retired Member election shall result in a 3-year term. The motion was seconded by Max Fefer. The motion passed unanimously with no opposition or abstentions. The motion passed 4-0 by the following vote AYES (M. Young, C. Chan, M. Fefer, and J. Park), NOES (none), ABSTAIN (none), ABSENT (A. Chan)

## **INFORMATION:**

### **6. RREEF Manager Presentation – S. Skoda**

Sophia Skoda opened the session by welcoming John Shields and Josh Lenhart from DWS (formerly RREEF), a long-time core real estate manager for the system. Sophia Skoda explained that this meeting marked the return of manager presentations after 18 months of internal operational focus with the aim of providing strategic updates and facilitating board questions.

John Shields began with an overview of DWS's real estate platform, noting they manage about \$1 trillion globally, including \$33 billion in U.S. private real estate under the RREEF brand. Founded in 1975, the platform has grown into a national operation with over 100 professionals across 10 offices. Their flagship core fund is RREEF America REIT II (Market Two), focused on income-generating, diversified real estate.

Josh Lenhart then addressed market conditions, describing the current real estate cycle as historically unusual, marked by steep valuation declines driven by interest rate spikes rather than a recession. Appraisals, which initially lagged, have now largely caught up to market pricing. While sector fundamentals remain mixed, residential and industrial are stabilizing post-COVID oversupply, retail is strong, and office is still weak with high vacancies and a projected recovery timeline of 6–8 years.

Josh Lenhart highlighted increasing market bifurcation, particularly in office, where high-quality Class A spaces in cities like San Francisco and New York maintain strong rents, while Class B and C spaces have seen steep declines, and also addressed historical GDP-to-real-estate correlations, noting that 2008's global financial crisis had broader real estate impacts than the 2002 dot-com bust.

Looking ahead, Josh Lenhart emphasized that real estate values tend to revert to replacement costs. Current pricing is about 15% below replacement, while rising construction costs and tight financing suggest future supply constraints that could support rental growth, and expects long-term core returns in the 7–9% range, driven primarily by stable income yields and modest NOI-driven appreciation, rather than cap rate compression.

The fund, RREEF America REIT II, is 25 years old with \$12 billion in net assets and 122 properties. Its occupancy sits at 91%, slightly below target due to industrial softness. The portfolio remains overweighted towards industrial (45%) and has expanded its residential footprint, particularly in the Southeast and Southwest. Retail is gaining emphasis due to strong performance.

Geographically, the fund targets high-growth metro areas like Dallas, Atlanta, and New York, while underweighting weaker markets like parts of San Francisco and Washington, D.C., especially where office fundamentals are poor. A geographic breakdown on slide 45 illustrated

sector-specific allocations across markets, with industrial assets concentrated in the West and Northeast, residential in the Southeast and Southwest, and limited retail/office in select cities.

The fund's industrial strategy focuses on mid-sized assets serving regional demand, avoiding oversupplied large-box centers. Concerns about Florida's climate and insurance risks were addressed, with DWS noting they remain overweighted in the state due to demographic and job growth trends but are actively monitoring environmental exposure.

DWS clarified that while they have owned data centers before, such assets are excluded from the core fund due to power supply uncertainty and volatility. When asked about West Coast residential investment, particularly in San Francisco as an AI hub, the team acknowledged its long-term potential but cited near-term underperformance. Investment in the region would require a compelling thesis aligned with their research, which currently projects short-term weakness.

Performance-wise, the fund has consistently outperformed its NFI-ODCE benchmark across 5-, 7-, and 10-year periods, primarily through strong income return, which has historically driven 80–90% of long-term core real estate performance. A recent Q2 dip, only the second in a decade, was attributed to industrial sector softness, but the team remains confident in the sector's long-term prospects.

On leverage, the fund maintains a conservative 23% debt level, with most debt at a fixed rate and held at the fund level. The average interest rate is 3.9%, and a recent refinancing secured debt at 4.7%, which the team views as favorable.

In closing, the DWS team addressed a question about the possible privatization of Fannie Mae and Freddie Mac, stating that it's too early to assess the impact but noted that the expanding private real estate debt market provides some insulation. A Board Member praised the presentation as one of the best they've seen. Sophia Skoda concluded by affirming that these manager presentations will continue as scheduling permits.

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

Paula Nealon from Meketa opened by introducing Eric Larsen, who reported that as of Q2's end, the Retirement System's assets totaled just over \$2.8 billion, with an 8.2% quarterly return and outperforming the policy benchmark by 80 basis points. The fund also outpaced peer medians, driven by public equity strength. Eric Larsen noted the fund's relative advantage when private equity underperforms, as its public equity tilt performs better in such periods.

Public equities were the main driver of returns in Q2, with both U.S. and non-U.S. portfolios performing as expected. The covered calls strategy (via Parametric) also outperformed its benchmark. International markets, aided by a weaker U.S. dollar and local recoveries (notably China and Europe), outpaced U.S. equities. These gains were further supported by favorable currency translation and increased non-U.S. defense spending.

Heading into Q3, the trends continued—U.S. large-cap growth and AI-driven stocks led, while international equities benefited from dollar weakness. A recent Fed rate cut, prompted by labor market softening and persistent inflation, was well received by markets, though longer-term Treasury yields stayed high due to concerns about economic health and national debt. Eric Larsen flagged a risk to consumer demand: the top 10% of earners now drive 50% of U.S. consumption, heavily linked to tech stock performance.

Eric Larsen then reviewed asset allocation, noting that all classes remain within target ranges. A July snapshot showed implementation of “Stage Two” of the asset transition plan, which Paola Nealon would elaborate on. As of the prior day, the fund was up over 5% for Q3, bringing YTD returns to 13%, beating the benchmark by 100 basis points.

Peer comparisons showed exceptionally strong performance across short-term periods, often ranking in the top decile or percentile, largely due to public equity exposure. Over five and ten years, returns remained competitive but more mixed due to differences in private market allocations.

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

Paola Nealon from Meketa gave an update on the Stage Two portfolio implementation process, which began on July 1. Paola Nealon reviewed the finalized execution of the Stage Two transition. New managers, Brigade, Beach Point, and Aristotle were added, while Federated and Parametric were removed. Northern Trust facilitated the \$246 million transition, which included a 5% reallocation to high yield and loans and a 1.5% internal rebalancing within core fixed income. Execution costs were only \$29,000 which are well below projections and the transition aligned the portfolio with its new targets while preparing for private debt exposure in 2026. The benchmark was updated accordingly.

A request to discuss CS McKee’s report was deferred due to Brown Act restrictions and may be revisited at a future meeting.

## **9. Private Credit Training Update – S. Skoda**

Sophia Skoda introduced Maya Ortiz de Montellano from Meketa to lead an in-depth training session on private credit, designed to prepare the board for upcoming manager interviews following a recent RFP. With over 25 years of experience, Maya Ortiz de Montellano aimed to build on the Board’s previous introductory education.

Maya Ortiz de Montellano began by sizing the private credit market at approximately \$1.7 trillion (including committed capital), noting it is now comparable to private real estate and larger than the high-yield bond market, though still smaller than the overall U.S. fixed income market, and explained the market’s evolution, highlighting how direct lending became dominant post-Global Financial Crisis as banks pulled back and institutional investors entered.

Maya Ortiz de Montellano introduced Meketa’s framework for categorizing private credit into four segments: direct lending (senior loans, often PE-backed), asset-based lending (secured by receivables or physical assets), special situations (distressed or opportunistic), and diversifying strategies (e.g., litigation finance or royalties). Most RFP respondents are expected to offer evergreen funds in direct or asset-based lending, which align well with pensions' income needs and liquidity goals.

Maya Ortiz de Montellano reviewed the asset class’s strong, steady performance over the past decade, including resilience during the 2020 downturn. Private credit benefits from floating-rate structures, offering attractive yields over public alternatives like high-yield bonds despite recent spread compression, and noted current opportunities are strongest in asset-based lending and select non-U.S. markets.

Slow exits in private equity have opened doors for private credit funds to provide structured financing, offering bridge capital to companies awaiting better market conditions. Regulatory shifts have also created room for private lenders to partner with banks in areas where traditional lending has pulled back.

Maya Ortiz de Montellano explained amortizing vs. bullet loan structures, highlighting the cash flow benefits of combining them for diversification. In response to a question about the Board's 5% allocation target, and noted that it falls within a typical range for institutional investors, though actual allocations vary widely based on each fund's broader strategy.

Sophia Skoda updated the board on the manager search, stating that 2–3 candidates will be brought forward, depending on how clearly, they differentiate. The goal is to present a focused set of options, avoiding unnecessary complexity and delays. Sophia Skoda emphasized the importance of strategic pacing, noting that reallocation typically occurs no more than once every five years unless there's a compelling reason.

A Board Member asked whether lending to PE-backed companies introduces private equity risk. Maya Ortiz de Montellano clarified that while there's indirect exposure, private credit investors are lenders, not owners. They hold senior positions in the capital structure and are focused on credit performance, not equity outcomes. Even in riskier segments like special situations, the exposure remains fundamentally credit based.

The Board looks forward to continuing the private credit selection process in upcoming meetings.

## **10. CEM Benchmarking Update – S. Skoda**

Sophia Skoda introduced Steven Goodman-Leibof who provided the CEM benchmarking update. Steven Goodman-Leibof reminded the Board that the data reflects the 2024 calendar year, not the fiscal year, and includes input from about 200 global retirement plans, of which 124 are U.S. based. East Bay MUD remains one of the smaller plans in the peer group, with \$2.6 billion in assets compared to a median peer size of \$8 billion, a decrease from last year due to fewer large plans participating.

East Bay MUD outperformed its peers with a 12% return versus a 4.3% median. Steven Goodman-Leibof explained that much of the peer underperformance reflects more conservative allocations in mature, income-oriented private pension plans. In terms of net value added, returns were above what a passive benchmark would have produced. East Bay MUD reported -0.02%, and emphasized this is consistent with expectations for a portfolio heavily invested in low-cost passive strategies, where outcomes tend to reflect the performance of a small number of active managers.

The plan also ranked as low-cost, with total expenses at 17.3 basis points compared to a 55.9 basis point peer median. However, both Steven Goodman-Leibof and the Board noted that future costs may rise with the addition of private credit and administrative tools like PensionGold. Sophia Skoda emphasized that cost efficiency should be balanced with high-quality service and oversight, especially as the system grows and evolves.

A Board Member asked whether reported costs include both investment and administrative expenses. Steven Goodman-Leibof confirmed they do but clarified that because East Bay MUD doesn't employ full-time dedicated retirement system staff, CEM imputes administrative costs using a standard estimate (1.5 basis points). This can distort comparisons for smaller or differently staffed plans. Additionally, oversight costs appear higher as a percentage due to the plan's small asset base, not due to high actual spending.

This year's CEM report introduced a "global reporting principles scorecard," where East Bay MUD scored 95 out of 100. While the Board welcomed the score, they acknowledged the grading methodology felt subjective and more like a "beauty contest" than a rigorous evaluation.

Steven Goodman-Leibof concluded by affirming that East Bay MUD's investment and administrative model continues to deliver strong results, especially considering the plan's size.

**11. Update on Pension Project – L. Sorani on behalf of C. Charan**

Lisa Sorani provided an update on the pension project. The project, tied to the broader HRIS replacement initiative, requires extracting pension data from PeopleSoft before proceeding. Progress continues the core HR project, with consultants soon to be contracted and four-day workshops planned across HR, finance, pension, and payroll teams. An emergency payroll project has also been launched, with all efforts coordinated by a central HRIS Steering Committee.

Valerie Weekly gave a detailed pension project update, noting the team is finalizing software deliverables and completing tasks from prior phases. A new HRIS analyst is revising policies to align with the new system. Work is underway to develop requirements for PensionGold's new HIB tier, which must integrate with PeopleSoft and payroll systems. Data conversion continues but may be slow due to a recent staff retirement. A transition plan is being created to ensure knowledge transfer to Retirement Services. Updates to EBMUD's pension web pages are also progressing. Key risks include managing multiple overlapping projects, integrating the new HIB tier, and ensuring PeopleSoft updates are completed before further PensionGold development.

**REPORTS FROM THE RETIREMENT BOARD:**

Max Fefer shared a positive experience at the SACRS UC Berkeley program and recommended it for board development. Another board member endorsed the CALAPRS program.


**ITEMS TO BE CALENDARED:**

None

**MEETING ADJOURNMENT:** Meeting adjourned at 11:14 a.m.

  
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President

ATTEST:

  
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Asst. Secretary

11/20/2025