

## MINUTES OF THE RETIREMENT BOARD

### September 17, 2020

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A regular meeting of the Retirement Board convened on Thursday, September 17, 2020 at 8:34 a.m. The meeting was called to order by President Doug Higashi.

Due to COVID-19 pandemic and in accordance with Alameda County's Health Order 20-10 (issued April 29, 2020), and with the Governor's Executive Order N-29-20 which suspends portions of the Brown Act, **this meeting will be conducted via teleconference only.** In compliance with said orders, a physical location has not been provided for this meeting. These measures will only apply during the period in which state or local public health officials have imposed or recommended social distancing.

**Roll Call** – The following Retirement Board Members were present: Clifford Chan, Frank Mellon, Marguerite Young, Douglas Higashi, Timothy McGowan, and Lisa Ricketts.

The following staff members were present: Laura Acosta, Sophia Skoda, Lourdes Matthew, Lisa Sorani, Robert Hannay, Damien Charléty, and Valerie Weekly.

#### **PUBLIC COMMENT**

Eric Larsen, Local 444 Representative, requested that consultants turn pages slowly and announce what page number they are referencing to allow attendees joining by phone only to follow along.

John Patricio, Information Services Supervisor at the District, requested that the Board consider offering benefits for military members, similar to what is offered by CalPERS. The benefit is called the military service credit and is a benefit to members with various types of credit options. Members who have prior service and active members in the reserves are eligible.

#### **CONSENT CALENDAR**

**1-4. Consent Calendar** – A motion to move the consent calendar was made by Frank Mellon and seconded by Marguerite Young. The motion carried (5-0) by the following voice vote: AYES (Chan, Higashi, McGowan, Mellon, Young), NOES (none), ABSTAIN (none), ABSENT (none).

#### **ACTION**

**5. Declaring Results of the Election of a Retiree Member of the Retirement Board (R. B. Resolution No. 6920)** – Lisa Sorani presented this item. Changes were made to the election process this year to manage the elections while maintaining social distancing and remote work deployment included using email and Survey Monkey for the process. Historically, staff would interact with the candidates and gather nominations. This year, candidates turned in applications and applications were sent to retirees who were asked to submit their nominations via email. For retirees who do not have an email on file with Employee Services, letters were sent and retirees were instructed to call Employee Services with their nomination. Two candidates received enough nominations to get their names on the ballot. A link to Survey Monkey was sent to retirees via email and a letter was sent to retirees without an email on file with Employee Services and they were instructed to call the Employee Services hotline with their vote. Staff manually added the votes received via the hotline to

Survey Monkey. The two candidates running for the Retiree Representative seat were Richard Van Tassell and Elizabeth Grasseti. A total of 351 ballots were cast (337 directly to Survey Monkey, 14 through Employee Services staff). Elizabeth Grasseti received 263 votes and Richard Van Tassell received 88 votes. The Secretary of the Retirement System certified that Elizabeth Grasseti had been elected to the Retirement Board for a 2-year term, September 24, 2020 through September 23, 2022 as Retiree Representative. Doug Higashi made the motion to approve the results of the election, Tim McGowan seconded the motion, and the motion carried (5-0) by the following voice vote: AYES (Chan, Mellon, Young, Higashi, McGowan), NOES (none), ABSTAIN (none), ABSENT (None).

**6. Expressing Appreciation to Lisa Ricketts Mann for her Service to the EBMUD Retirement Board (R.B. Resolution No. 6921)** – Doug Higashi read the Resolution. Lisa Ricketts-Mann served as retiree representative from September 24, 2014 through September 23, 2020. During her term assets grew from \$1.3 billion to \$1.9 billion. Lisa promoted the interest of retirees and served as their voice on the Retirement Board. Marguerite Young made the motion to approve, Doug Higashi seconded the motion, and the motion carried (5-0) by the following voice vote: AYES (Chan, Mellon, Young, Higashi, McGowan), NOES (none), ABSTAIN (none), ABSENT (None).

## **INFORMATION**

**7. Update from Fisher Investments** – Sophia Skoda presented this item. Last year the Retirement Board chose to put Fisher Investments on watch status following inappropriate comments made by its executive chairman and co-chief investment officer, Ken Fisher, during a presentation at a conference in San Francisco. Representatives from Fisher provided an update to the Retirement Board. The four staff from Fisher Investments were Jill Hitchcock, Justin Arbuckle, Aaron Anderson, and Ben Kothe. Their presentation covered the steps the firm has taken to address the issue brought to light by the its co-CIO comments, an update on Fisher Investments' view on ESG, some firm-wide investment philosophy and positioning, and specific performance of the Retirement System's portfolio.

**8. 2<sup>nd</sup> Quarter 2020 Performance Report** – Eric Larsen from Meketa presented this item and reviewed the 2<sup>nd</sup> quarter 2020 Performance Report. Total plan performance was up 13.2% for the quarter, 2.8% over the one-year. These were strong numbers given the historic drawdown experienced in March and the volatility throughout the 2<sup>nd</sup> quarter. All asset classes had positive returns for the quarter and are in line with or exceeding their respective benchmarks. Plan net asset growth for the quarter was approximately \$216.7 million and for the one-year approximately \$38.9 million. Domestic Equity portfolio is passively managed and performing in line with benchmark, with the one-year performance at 6.5%. International Equity has some active management and included outperformance from Fisher Investment and underperformance from Franklin Templeton which was since terminated. Covered Calls exhibited strong performance, which is to be expected during times of market turbulence and downturns. Fixed income had a strong 2<sup>nd</sup> quarter, with three out of four managers outperforming their respective benchmarks. Real estate are performing in line with their benchmarks, but were noted to use a lagged index.

**9. Securities Lending Training** – Robert Hannay presented this item. At the previous two meetings, Retirement Board members had questions about securities lending as staff presented some information on the topic. Staff invited specialist from Northern Trust's securities lending program, the Retirement System's custodian, to provide a more in-depth training on securities lending. Topics

covered included securities lending definitions, transaction processes, income components, specifics of Northern Trust's program, risk management, ongoing monitoring and overall collateral management.

**10. Diversity in the Asset Management Industry** – Sarah Bernstein from Meketa presented this item. Meketa is recommending that the annual ESG survey to the Retirement System's Investment Managers include two diversity-related questions. Director Young requested the inclusion of the third questions and a notification to the second question in the next ESG survey. Staff will make sure that those two items are addressed in the next ESG survey.

**11. Tipping Point Update** – Damien Charléty presented this item. In 2017, staff presented a tipping point discussion to the Retirement Board. Updated analysis shows a continued, slow-growing gap between benefits payments and contributions. Data is generally consistent with the data shown in 2017.

**12. Working Capital Annual Update** – Damien Charléty presented this item. The Retirement System's benefit payments are projected to continue to be greater than contributions. The projected gap for FY21 is approximately \$19 million. Staff has made transfers from the Northern Trust portfolio to working capital to cover the projected gap for FY21.

**13. International Manager Transition and Rebalance Activity** – Robert Hannay presented this item. The Board took action to terminate Franklin Templeton at the July 2020 meeting. The termination required transitioning assets managed by Franklin Templeton to the passive Northern Trust Asset Management (NTAM) ACWI ex-US index fund. Since the transition required a transfer of a significant share of Retirement System assets, it provided an opportunity ensure that to asset balances are in line with asset allocation targets and rebalance the portfolio. Meketa analyzed the portfolio and recommended moving \$33 million in domestic equity from the NTAM Russell 3000 Index fund and \$20 million in fixed income from CS McKee to NTAM ACWI ex-US Index fund in addition to the Franklin Templeton assets being transitioned. Northern Trust Transition Management completed the transition on August 19, 2020. This activity brought the Retirement System's asset allocations to within 1% of its target allocations for all its asset classes.

**14. Employees' Retirement System (ERS) Forum Information** – There was a public comment on this item. Elizabeth Grassetti wanted to know if retirees could be invited to these forums and if there could be a forum for retirees. Elizabeth Grassetti also had a comment on the minutes from the July meeting related to the HRIS project memo. The memo said all stakeholders were consulted, but she doesn't think that was accurate. Sophia responded to the ERS forum comment and thinks that it would be a great idea to include retirees in the forum. Lisa Sorani responded to the HRIS comment noting that the stakeholders referenced in the memo are the users of the system, the administrators, and the people who do the work on the system.

Damien Charléty presented this item. The ERS Forum was held on August 20, 2020 using Microsoft Teams with approximately 260 attendees. Feedback to staff by attendees has been positive. This is the latest step in trying to increase the knowledge-base of Retirement System members by the Finance Department.

**15. Review Draft Changes to Retirement Board Rule C-3 Low Income Adjustment** – Lisa Sorani presented this item. A disconnect was found in the language between a Board Rule and the Retirement Ordinance. A Resolution created in 1988 was revised in 1992. The 1988 version was the same except it did not mention any health insurance adjustment. The 1992 version seemed to be including a health insurance adjustment. The insert was put in the wrong place. The Board Rule stated that what is considered earnings excludes Social Security benefits. The Retirement Ordinance says it is inclusive of Social Security benefits. The Plan has been administered inclusive of Social Security benefits. A draft revision of the Board Rule was presented to the Board and this item will be voted on at the next meeting.

#### **REPORTS FROM THE RETIREMENT BOARD**

**16. Brief report on any course, workshop, or conference attended since the last Retirement Board meeting**

Clifford Chan completed a 3-day Principles of Pension Government for Trustees through the California Association of Public Retirement Systems. It was a virtual training.

#### **ITEMS TO BE CALENDERED / UPCOMING ITEMS**

- Low-income Adjustment Board Rule
- Two Articles on Diversity in the Investing World
- Military Service Credit

**ADJOURNMENT** – Tim McGowan moved to adjourn the meeting at 11:51 a.m. and Doug Higashi seconded the motion; the motion carried (4-0) by the following voice vote: AYES (Chan, Higashi, and McGowan), NOES (none), ABSTAIN (none), ABSENT (Mellon and Young).

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President

ATTEST: \_\_\_\_\_  
Secretary

11/19/2020