

MINUTES OF THE RETIREMENT BOARD

November 19, 2020

A regular meeting of the Retirement Board convened on Thursday, November 19, 2020 at 8:38 a.m. The meeting was called to order by President Doug Higashi.

Due to COVID-19 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 was conducted via teleconference only.** In compliance with said orders, a physical location was not 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 Elizabeth Grassetti.

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

PUBLIC COMMENT

No public comment.

CONSENT CALENDAR

1-4. Consent Calendar – A motion to move the consent calendar for items 1, 3 and 4 was made by Frank Mellon and seconded by Doug Higashi. The motion carried (5-0) by the following voice vote: AYES (Chan, Higashi, McGowan, Mellon, Young), NOES (none), ABSTAIN (none), ABSENT (none). Tim McGowan posed a question on item 2 regarding the status of transitioning money from Franklin Templeton. Robby Hannay addressed this question. Receivables, such as dividends, are still coming in. These funds are being moved out as they come in and all funds should be transferred out of the account eventually. Tim McGowan made a motion to approve item 2, Frank Mellon seconded the motion. The motion carried (5-0) by the following voice vote: AYES (Chan, Higashi, McGowan, Mellon, Young), NOES (none), ABSTAIN (none), ABSENT (none).

ACTION

5. Adopt Actuarial Experience Study – Public comment – Max Fefer had a comment on the change in the normal cost: *the change in the normal cost for the 1955/80 Plan is roughly a 2.6% increase, but there's no increase in the employee contribution while the change in normal cost for the 2013 Plan shows a smaller increase but employees are seeing increase of the normal cost due to PEPPRA. Is there any restriction on increasing the employee normal cost on the 1955/80 Plan employees?* This comment was addressed in the presentation by the Retirement System actuary.

Robby Hannay presented this item. Segal, the Retirement System actuary, prepares an actuarial valuation for the Retirement System's pension and HIB every year. The valuations rely on many assumptions. The Actuarial Experience Study presented at this meeting is based on data from July 1, 2016 to June 30, 2020. The report recommends changes in assumptions that, if adopted, will increase the contributions rates to the Retirement System. The two largest changes in assumptions leading to increases to the contribution rates are updates to the mortality tables and increases in merit and promotion salary increases assumptions. If adopted, these new assumptions will lead to increases in the normal cost which will affect District contribution rates. Additionally, because the normal cost of the 2013 Plan, which is subject to PEPPRA, is expected to increase by more than 1% of payroll from the original PEPPRA valuation base, it would trigger an increase in the normal cost for 2013 Plan employees. Andy Yeung and Dirk Adamsen from Segal provided a presentation on the Actuarial Experience Study and its recommendations. Frank Mellon made the motion to adopt the Actuarial Experience Study, Doug Higashi seconded the motion, and the motion carried (4-1) by the following voice vote: AYES (Chan, Mellon, Young, Higashi), NOES (McGowan), ABSTAIN (none), ABSENT (None).

6. Adopt Updated Board Rule C-3 Low Income Adjustment (R.B. Resolution No. 6924) – Lisa Sorani presented this item. Staff introduced updates to the Retirement Board at the September 17, 2020 meeting. It was determined that when the Retirement Board passed a motion to edit the rule to include the health insurance benefit in the definition of total gross income in 1992, a typo was made that appeared to exclude social security benefits from total gross income. This correction makes clear that social security benefits are included as part of total gross income. Staff recommended that the Retirement Board approve the corrected language. Tim McGowan made the motion to approve, Frank Mellon 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).

7. Determine Watch Status for Parametric Organization – Damien Charléty presented this item. Staff was notified in October 2020 that Parametric was being acquired by Morgan Stanley and one of its managing directors was planning to retire. Parametric staff has expressed confidence that neither of these changes will affect the operations of the firm. Staff and Meketa recommend placing Parametric on Watch Status to allow monitoring of the impact of these changes. 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

8. Presentation of Retirement System Audited Financial Report – Sophia Skoda presented this item and introduced the District's Controller, Andrea Miller, to present the audited financial report. As of June 30, 2020 the Retirement System's net assets were \$1,857.61 million, an increase of \$24.64 million. The number of active members increased by 72 for a total of 2,224. The number of members receiving retirement, disability retirement, or survivor benefits increased by 55 to 1,898 people. During FY20, District and member contributions were \$88.73 million and \$18.42 million respectively. The Retirement System is funded from three sources:

District contributions, member contributions net of refunds, and net investment income. The net pension liability was \$548.65 and the Net OPEB Liability was \$132.87, as recorded in the June 30, 2020 financial statements based on government accounting standards.

9. Performance Report & Economic Recovery – Eric White from Meketa presented this item and reviewed the performance as of September 30, 2020. There were very strong returns across the board. Portfolio was up 5.3% for the quarter and 7.2% over the one-year period. Five- and ten-year periods showed around 9% growth. Covered calls outperformed by 10% over the one-year period. Real Estate outperformed its benchmark and fixed income matched its benchmark. The portfolio is close to \$2 billion.

10. Annual Report on Proxy Voting – Sarah Bernstein from Meketa presented this item. Proxy voting on behalf of the Retirement System is done by two parties, Glass Lewis and Northern Trust. Under the current allocation and mandates, most of the votes are through passive funds voted by Northern Trust. Glass Lewis voted about 15% of the total proxies this year through the active managers. The consistency of votes between Glass Lewis and Northern Trust increased slightly from last year. Two key developments in 2020 that affected proxy voting were the Security and Exchange Commission proxy solicitation rules, and the Department of Labor ruling on investments selected based on purely pecuniary factors. John Wieck and Courteney Keatinge from Glass Lewis and Tamara Doi Beck and Catherine Moyer from Northern Trust provided presentations on this item.

11. California Climate Investment Framework – Sarah Bernstein from Meketa presented this item. The California Climate Investment Framework was published on September 24, 2020. It was developed in consultation with the three largest State pension plans: CalPERS, CalSTRS, and UCRP. The plan has three main recommendations. The recommendations include creating a California working group on disclosure standards, coalition for climate resilient investment, and increasing the use of low-carbon strategies by the State's pension funds.

12. CEM Benchmarking Survey Results – Damien Charléty presented this item. For the sixth year, the Retirement System participated in the CEM Benchmarking survey. There's a lag on the reporting data and the information presented is for calendar year 2019 (CY19). The Retirement System is among the smallest funds participating in this survey, slightly above the 10th percentile. The benchmarking analysis is based upon a comparison of the Retirement System to the U.S. pension fund database. Results for CY19 show net total return was 19.2% which is slightly above the U.S. median of 19.0%, and the policy return was also slightly better than the media. The net value added was -0.1%, above the -0.2% U.S. median. The Retirement System's asset risk was 11.0% compared to the 9.6% U.S. median, and its asset-liability risk was 12.6% compared to the 12.2% U.S. median.

13. Update on Retirement Administration System Request for Proposal – Lisa Sorani presented this item. Staff is preparing to post the request for proposal for the Retirement Administration System. The selection committee will include team members from the Departments of Human Resources, Finance (including Payroll), and Information Systems. Staff

will reach out to retirees to see if anyone would like to participate and give feedback to the committee. The selection committee may also include a member from the Retirement Board if anyone is interested.

14. Updated of Agreement for Existing Services with Buck Global LLC – Lisa Sorani presented this item. The District’s Board of Directors authorized an agreement to extend services provided by Buck Global on September 22, 2020. The agreement with Buck Global was renewed for \$20,000 for core services and costs under the agreement are paid by the Retirement System.

15. Report on Additional Pension Benefits Related to Military Service – Lisa Sorani presented this item. During public comment at the September 17, 2020 Retirement Board meeting, a request was brought before the Retirement Board to consider military service time as a benefit to vested members. CalPERS offers a similar benefit to its members by determining the cost to purchase active military service credit using the present value cost method. Staff recommended that if the Retirement Board was interested in exploring this benefit, the Retirement System should seek an actuarial analysis of the cost of adding this benefit.

16. Benefit Plan Rate Changes for Calendar Year 2021 – Lisa Sorani presented this item. The majority of health plans premiums are increasing for calendar year 2021. A summary of the retiree medical and dental premium rate changes was provided. Elizabeth Grassetti asked if other options had been researched; Lisa responded that at this time no research has been done on alternative insurance plans.

17. Pensions & Investments Commentary: “Sustainable Investing Sector Must Take Action Against Systemic Racism” – Sophia Skoda presented this item. Per Director Young’s request at the September 17, 2020 Retirement Board meeting, included in the Retirement Board packet was an article from *Pensions & Investments* entitled “Sustainable investing sector must take action against systemic racism.”

REPORTS FROM THE RETIREMENT BOARD

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

None

ITEMS TO BE CALENDERED / UPCOMING ITEMS

- Glass Lewis Contract
- Resolve Fisher Investments Watch Status

ADJOURNMENT – Doug Higashi moved to adjourn the meeting at 12:42 p.m. and Tim McGowan seconded the motion; the motion carried (3-0) by the following voice vote: AYES (Higashi, Mellon and McGowan), NOES (none), ABSTAIN (none), ABSENT (Chan and Young).

Minutes
Retirement Board Meeting
November 19, 2020

President

ATTEST: _____
Secretary

01/21/2021