

MINUTES OF THE RETIREMENT BOARD

March 18, 2021

A regular meeting of the Retirement Board convened on Thursday, March 18, 2021 at 8:34 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 – Doug Higashi had a question on the minutes regarding the public comment from Eric Larsen and requested to confirm whether the information stated in the minutes for the public comment regarding the mortality rate tables is accurate. Damien Charléty confirmed the numbers in the minutes are correct. A motion to move the consent calendar was made by Frank Mellon and seconded by Clifford Chan. The motion carried (5-0) by the following voice vote: AYES (Chan, Higashi, McGowan, Mellon, Young), NOES (none), ABSTAIN (none), ABSENT (none).

ACTION

5. Determine the Annual Retiree Cost of Living Adjustment (COLA) to be effective July 1, 2021 (R.B. Resolution No. 6930) – Valerie Weekly presented this item. In accordance with the Retirement Ordinance, staff recommended a 1.7 percent COLA for retirees effective July 1, 2021 and a reduction of up to 1.3 percent to eligible retiree COLA banks as determined by the Retirement System's actuary, The Segal Company. Director Mellon requested information on the number of retirees with a non-zero COLA bank. Frank Mellon made the motion to adopt the recommendation and Doug Higashi 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).

6. Approve Changes to Retirement Board Rule No. C-4 Health Insurance Benefit (R.B. Resolution No. 6931) – Lisa Sorani presented this item. Staff is requesting an update to Retirement Ordinance Rule C-4 which requires staff to perform an annual audit of the HIB recipients to ensure that the HIB benefit is being used for the intended purpose. Currently the process to verify this information requires mailing letters and application forms to approximately 1,780 retirees. The retirees are required to return the signed application and approximately 894 are required to submit additional information to show proof of their non-District insurance coverage and payment for the insurance. Staff is recommending the following changes to help streamline the process: 1) remove the requirement of a signed application from retirees where 100% of their HIB reimbursement is paid toward District-sponsored health insurance plans or dental plans and base Medicare Part B; 2) allow for an automatic update of HIB records for the base cost of Medicare Part B; and 3) include in the rule a 10-year requirement for record retention related to the annual HIB reimbursements. Frank Mellon made the motion to adopt Resolution 6931 and 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).

INFORMATION

7. Performance Report and Economic Review – Eric White from Meketa reviewed the fourth quarter report. The fourth quarter showed good returns with the ending market value of the portfolio at \$2.1 billion. The increase was over \$200 million over one year, an almost 11% increase. Over the one-year period U.S equities were up 20.8%, international equities were up 10.5%, covered calls were up 7.9%, real estate was up 0.7%, and fixed income was up 6.5%.

8. Annual Environmental, Social and Governance (ESG) Survey of Investment Managers – Sarah Bernstein from Meketa provided an overview of the second annual ESG survey of the Retirement System's investment managers. Responses were received from all managers. Overall, there was a wide range of responses. This year's survey included three additional questions with respect to women and minority representation within the firm and current actions and initiatives to combat racism.

9. Environmental, Social and Governance (ESG) Annual Update and Potential Next Steps – Sarah Bernstein from Meketa reviewed four distinct elements to integrating ESG: portfolio and manager ESG monitoring, proxy voting, engagement, and shifting assets toward lower carbon/higher climate mitigation exposure. For portfolio and manager ESG monitoring, Meketa could work with staff to develop annual monitoring specific to the Board's key concerns and interests. To further improve consistency across proxy voting Meketa recommends the following options: 1) retain a passive equity manager with competitive fee structures whose votes are more consistent with EBMUDERS approach; 2) shift passive equity to separately managed accounts. Engagement geared at improving the long-term environment supporting investments can include engagement with government bodies, investment managers and companies. Meketa offers engagement services to support clients interested in furthering their engagement with companies on specific issues. Another element is shifting some passive equity assets to lower carbon/stronger ESG. Meketa is conducting a review of ESG and climate index products and could bring to the Board an overview of such market opportunities.

10. National Association of State Retirement Administration (NASRA) Report on Funding Status Metrics – Damien Charléty presented this item. At the January 21, 2021 Director Young requested the NASRA report be provided to the Retirement Board. In the report there are two different contexts under which funded ratios are considered. As a funding target, GFOA recommends 100 percent as the funded goal, while as a measure of plan health a benchmark of 80 percent has been used by several stakeholders.

11. Low Income Adjustment, Review of Ordinance Guidelines – Lisa Sorani presented this item. There was an error on the attachment. Rule C-3 was copied for this memo prior to staff updating Rule C-3 from the November 2020 meeting where the Total Gross Income definition was updated and the incorrect version was attached. A low-income adjustment for qualifying retirees or surviving beneficiaries is provided in Section 35 of the Retirement Ordinance. The following guidelines must be met: retiree must have retired with 20 or more years of service; receive a social security benefit; and all sources of income, including spouses', must fall below 200% of the California poverty level. Surviving beneficiaries total income must fall below 150% of the California poverty level. Staff is requesting the Retirement Board provide direction if any changes are needed to the metrics used to determine eligibility.

12. Update on 2021 Retirement Board Election – Valerie Weekly provided an update on the Retirement Board election. Doug Higashi's term expires on June 23, 2021 and he is not running for reelection. Staff is currently in the process of accepting requests for candidacy. Staff has added additional resources and communications options to the election activities. Staff has also increased outreach activities by incorporating two informational sessions to educate interested employees.

13. Update on the Human Resources Information System (HRIS) Replacement Project – Lisa Sorani provided an update on the HRIS Replacement Project. A full-time product owner was hired on November 9, 2020 which has cut several months from the schedule. The Request for Proposals (RFP) was posted on November 20, 2020. Four responses from vendors were received on January 6, 2021. An RFP Review Committee was created and a vendor selection is scheduled to occur in May 2021.

REPORTS FROM THE RETIREMENT BOARD

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

- Elizabeth Grassetti completed ethics training.
- Tim McGowan completed ethics training and attended the CALAPRS Conference online.
- Frank Mellon and Doug Higashi attended the CALAPRS Conference online.

ITEMS TO BE CALENDERED / UPCOMING ITEMS

- Review and Consider Revisions to Low Income Rules
- Review and Approve Revisions to Administration of the Annual Audit of the Health Insurance Benefit as Outlined in Retirement Board Rule C-4
- International Investment Allocation
- SECURE Act Ordinance Change
- Retirement System Software Upgrades Update
- COLA Bank Details
- Low-Income Adjustment

ADJOURNMENT – Frank Mellon moved to adjourn the meeting at 12:28 p.m. and Doug Higashi seconded the motion; the motion carried (5-0) by the following voice vote: AYES (Higashi, McGowan, Chan, Mellon and Young), NOES (none), ABSTAIN (none), ABSENT (none).

President

ATTEST: _____
Secretary

05/20/2021