

MINUTES OF THE RETIREMENT BOARD
May 20, 2021

A regular meeting of the Retirement Board convened on Thursday, May 20, 2021 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

CLOSED SESSION

1. Significant Exposure to Litigation pursuant to Government Code Section 54956.9
 - a. One item
2. Personnel matters Pursuant to Government Code Section 54957
 - a. Application for disability retirement of Adam Erlach (R.B. Resolution No. 6936)

Retirement Board meeting reconvened at 9:36 a.m.

REGULAR BUSINESS MEETING

The regular business meeting reconvened at 9:36 a.m. The following Retirement Board members were present: Clifford Chan, Frank Mellon, Marguerite Young, Douglas Higashi, Timothy McGowan, and Elizabeth Grassetti.

ANNOUNCEMENT FROM CLOSED SESSION:

1. The decision on the application for disability retirement of Adam Erlach will be deferred to the July 15, 2021 meeting.

CONSENT CALENDAR

- 1-4. Consent Calendar** – Tim McGowan had a question on item 4. A motion to move the

consent calendar items 1-3 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). Tim McGowan posed a question on item 4 for the March 2021 Treasurer's Statement of Receipts and Disbursements regarding the negative balance. Damien Charléty provided an answer regarding the apparent negative cash balance, which is caused by a lag between month end closing and transfers being made between the Wells Fargo and LAIF accounts. The overall working capital balance of the Retirement System was still positive as of month-end. Tim McGowan made a motion to approve item 4 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).

ACTION

5. Declaring Election Results for an Employee Member of the Retirement Board (R.B. Resolution No. 6934) – Valerie Weekly presented this item. Three candidates ran to fill the seat being vacated by Doug Higashi. A total of 427 votes were cast, of those votes 407 were valid. Ken Minn received the most votes, but on May 3, 2021 Ken noticed the employee services staff of his resignation from the District effective May 14, 2021. Therefore, Ken Minn is no longer eligible to serve. There is not a Retirement Board rule on how to address this scenario. After consulting with legal counsel, staff chose to follow the state of California approach that once a candidate is on the ballot they cannot be removed. All active employee members were provided with this information on May 3, 2021. Jae Park received the second highest vote count for a two-year term beginning June 24, 2021. Tim McGowan made the motion to adopt Resolution 6934 and declare the election results 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. Resolution Recognizing Doug Higashi's Service to the Retirement Board (R.B. Resolution No. 6935) – Lisa Sorani presented this item expressing appreciation to Doug Higashi for his service to the EBMUD Retirement Board. Doug has served as an employee of EBMUD for 25 years and as an elected Retirement Board member since June 24, 2007. Doug has acted as a Retirement Board representative and President since January 19, 2012 maintaining fiduciary oversight and care of Retirement System assets. During Doug's term of office many significant improvements to the administration of the Retirement System have occurred. Frank Mellon made the motion to adopt Resolution 6935 and Clifford Chan 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. Adoption of Active vs. Passive International Strategy – Sophia Skoda presented this item. There has been an ongoing discussion regarding the international allocation. During the reallocation of assets in 2018, the Retirement Board made the decision to transfer the majority of its equity assets to passive management. Due to the termination of an international equity manager for performance issues, more international equity assets were transitioned to passive management. However, this introduced a style bias and deviated from the original 2018

allocation choices made by the Retirement Board. Meketa presented additional information on the current positioning of the portfolio and related options. The Retirement Board discussed the possibilities to either remain active or to transition to passive management for the remainder of international equities. The Retirement Board also requested additional information on options for the international allocation at a future meeting. Doug Higashi made the motion to transition international equities toward passive management and Marguerite Young 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. Performance Report and Economic Review – Eric White from Meketa reviewed the first quarter report. The portfolio returned 3.6% for the first quarter with the ending market value of the portfolio at \$2.2 billion as of March 31, 2021, up 36% from one year prior. Over the last three years the portfolio returned 10.3%, 10.8% over five years, 9.4% over ten years, and 7.7% over twenty years, all outperforming the plan benchmark. The portfolio increased approximately \$600 million over one year. For the first quarter, U.S equities returned 6.4%, international equities 3.4%, covered calls 6.0%, real estate 4.7%, and fixed income had a negative return of 1.8%.

9. Staff Response to Board Data Requests, Cost of Living Adjustment (COLA) Bank Statistics – Lisa Sorani presented this item. At the March 18, 2021 meeting the Board requested information on the balances of COLA banks. To reach the 3% maximum for the 2021 COLA, retirees would need 1.3% from their COLA bank. The majority of retirees retired prior to 2018 and have 1.3% or more available in their COLA bank. Those who retired in 2018 have 0.83% - 1.28% available in their COLA bank and those who retired in 2019 and 2020 have 0.68% or less in their COLA bank.

10. Review Update to Retirement Board Rule C-22 Minimum Required Distributions – Valerie Weekly presented this item. This item was previously discussed at the January 21, 2021 Retirement Board meeting. Retirement Board Rule C-22 needs to be updated to reflect the recent change to the Setting Every Community Up for Retirement Enhancement Act of 2019 (SECURE ACT). The act changes the age for minimum required distributions from 70½ to 72. A redlined version of Rule C-22 was provided to the Board for review. The rule update will be brought to the Board at the July 15, 2021 Retirement Board meeting as an action item.

11. Private Placement Update – Damien Charléty presented this item. This is an annual update on the private placement securities. Airbnb, Inc. has gone public and launched an Initial Public Offering (IPO) on December 10, 2020. Staff is working with Northern Trust to transfer and then sell the Retirement System's shares. Didi Chuxing Technology Co. filed for an IPO in April 2021. A public listing is planned for the summer of 2021. Magic Leap is looking at restructuring from consumer goods to enterprise goods after its founder resigned in 2020. WeWork Companies Inc. announced it plans to merge with BowX Acquisition Company and the transaction is expected to close in the third quarter of this year.

REPORTS FROM THE RETIREMENT BOARD

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

None

ITEMS TO BE CALENDERED / UPCOMING ITEMS

- Retiree Communications
- Disability Application
- International Investment Allocation
- Elect Retirement Board Officers
- Action to Update Retirement Board Rule C-22 Minimum Required Distributions

ADJOURNMENT – Frank Mellon moved to adjourn the meeting at 12:38 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

07/15/2021