

MINUTES OF THE RETIREMENT BOARD

July 15, 2021

A regular meeting of the Retirement Board convened on Thursday, July 15, 2021 at 8:31 a.m. The meeting was called to order by Frank Mellon.

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, Timothy McGowan, Jae Park, and Elizabeth Grassetti.

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

PUBLIC COMMENT

No public comment

ACTION ITEM

5. Election of Retirement Board Officers (R.B Resolution No. 6939) – Since the prior President, Doug Higashi, did not seek reelection and a new Employee Representative was elected in his place, the position of President is vacant. Frank Mellon requested nominations for President of the Retirement Board. Frank Mellon nominated Tim McGowan to serve as Board President and Clifford Chan seconded the nomination. The motion carried (5-0) by the following voice vote: AYES (Chan, McGowan, Mellon, Young and Park), NOES (none), ABSTAIN (none), ABSENT (none).

When the prior Vice-President of the Board left, a new Vice-President was not elected. Tim McGowan requested nominations for Vice-President. Frank Mellon nominated Marguerite Young to serve as Vice-President of the Retirement Board and Clifford Chan seconded the nomination. The motion carried (5-0) by the following voice vote: AYES (Chan, McGowan, Mellon, Young and Park), NOES (none), ABSTAIN (none), ABSENT (none).

CONSENT CALENDAR

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

ACTION

6. **Approve Update to Retirement Board Rule C-22 Minimum Required Distributions (R.B. Resolution No. 6940)** – Valerie Weekly presented this item. Staff requested that the Retirement Board adopt the proposed changes to Rule C-22. The changes stem from the Setting Every Community Up for Retirement Enhancement Act of 2019 (SECURE Act) which amends the Internal Revenue Code to increase the age for minimum required distributions from 70½ to 72 years old. Clifford Chan made the motion to adopt Resolution 6940 and Marguerite Young seconded the motion. The motion carried (5-0) by the following voice vote: AYES (Chan, McGowan, Mellon, Park, Young), NOES (none), ABSTAIN (none), ABSENT (none).

7. **Declare Interest Rate Credited to Members (R.B. Resolution No. 6941)** – Valerie Weekly presented this item. In accordance with Retirement Board Rule B-9, the annual rate of interest credited to member contributions effective June 30, 2021 is the lesser of the actuarially assumed rate of return or the five-year average rate of return. As of December 31, 2020, the actuarially assumed rate of return was 7.0% and the five-year average rate of return was 10.1%. Resolution 6941 declares the annual interest rate of 7.0% and the rate credited to member accounts will be prorated to a semi-annual rate of 3.5%. Frank Mellon made the motion to adopt Resolution 6941 and Clifford Chan seconded the motion, and the motion carried (5-0) by the following voice vote: AYES (Chan, McGowan, Mellon, Park, Young), NOES (none), ABSTAIN (none), ABSENT (None).

8. **Selection of Retirement System Custody Services Provider** – Sophia Skoda and Damien Charléty presented this item. The Retirement System used a Request for Information (RFI) process. Meketa conducts an annual survey of public fund custodians. In 2021, the survey was sent to 20 firms with 13 responding. Out of the 13, five fit the suitability criteria (threshold of \$1 trillion in assets under custody with at least \$5 billion under custody for public pensions funds). Staff developed a supplemental questionnaire and three of the five firms responded. Retirement Board member Tim McGowan, Meketa, and staff conducted interviews with the three responding firms. The search was narrowed down to two firms following the interviews and the two remaining firms were asked to provide a demonstration of their online platform technology and to discuss their approach to cybersecurity. Following the interviews and demonstrations, Northern Trust is recommended for selection under the terms proposed in their final response to the RFI. Marguerite Young made the motion to adopt, Jae Park seconded the motion, and the motion carried (5-0) by the following voice vote: AYES (Chan, McGowan, Mellon, Park, and Young), NOES (none), ABSTAIN (none), ABSENT (None).

9. **Move International Equity Assets to Passive Management** – Robert Hannay presented this item. At the May 20, 2021 meeting, the Retirement Board voted to transition its remaining actively-managed international equity assets to passive management. Meketa analyzed the current positioning of the international portion of the portfolio. Meketa concluded that a prompt transition to passive was beneficial to the Retirement System because it would eliminate the current style bias in the portfolio and would reduce management fees. Staff and Meketa recommend that the remaining actively managed international assets be moved to the Retirement System's existing international equity passive manager, Northern Trust. Clifford Chan made the

motion to move the item, Frank Mellon seconded the motion, and the motion carried (5-0) by the following voice vote: AYES (Chan, McGowan, Mellon, Park, and Young), NOES (none), ABSTAIN (none), ABSENT (None).

INFORMATION

10. Performance Report and Economic Review – Eric White from Meketa reviewed latest performance data. As of May 31, 2021 plan assets represent just under \$2.3 billion, up 4.5% for the quarter to date. For the quarter to date, the majority of managers met or exceeded the benchmark; US equity returned 5.6%, international equity 6.5%, covered calls 3.9%, real estate 4.9%, and fixed income 0.9%.

11. Discussion on Retiree and Retiree Retirement Board Communications – Lisa Sorani presented this item. The Retirement Board used to include a communications section on the agenda in the early 2000s. This included incoming letters from retirees as well as copies of the District response letters to retirees. Prior to 2012, the District also hosted an annual dinner for retirees and employees with 20 or more years of service. In 2017, the Utility District Employees' Association reinstituted the annual dinner, but on a smaller scale. The original event presented an opportunity for the retiree representative to connect with retirees. The retiree representative is currently provided with a District iPad and a District email address. A questionnaire was included with the 2020 HIB Audit and approximately 500 retirees returned the questionnaire providing their email address and indicating their willingness to receive communication from the retiree representative. Staff has been discussing ideas for how the retiree representative and staff might improve communications with retirees: staff will continue to mail most items to retirees. The upcoming Human Resources Information System technology upgrade is scheduled to include a portal for retirees that would allow for communication options. Staff could also create social media accounts to encourage greater engagement.

12. Actuarial Risk Assessment – Robert Hannay presented this item. This is the first risk assessment report presented to the Retirement Board. A narrative of a similar analysis is included in the Annual Valuation, but this separate report allows for a more in-depth analysis. Segal prepared the risk assessment report for the Retirement System's pension plan as of June 30, 2020. Andy Yeung from Segal presented the results of the report. The report included information on the following topics: historical funded status and employer contribution rates; future funded status and employer contribution rates; and plan maturity measures. The report also included sensitivity analysis to evaluate the potential effects of deviation from assumption, primarily on the assumed investment return factor.

13. Review FY21 Low Income Adjustment Process – Valerie Weekly presented this item. To qualify for the low-income adjustment, retirees or surviving beneficiaries must have 20 or more years of service, receive Social Security benefits, and demonstrate that their total income is below 200% of the federal poverty level (150% for surviving spouses). Staff mailed flyers to 28 potentially eligible members. No applications for the low-income adjustment were received.

Minutes
Retirement Board Meeting
July 15, 2021

REPORTS FROM THE RETIREMENT BOARD

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

None

ITEMS TO BE CALENDERED / UPCOMING ITEMS

- Announce 2022 Board Meeting Calendar
- Proxy Voting

ADJOURNMENT – Marguerite Young moved to adjourn the meeting at 11:14 a.m. and Frank Mellon seconded the motion; the motion carried (5-0) by the following voice vote: AYES (Chan, McGowan, Mellon, Park, and Young), NOES (none), ABSTAIN (none), ABSENT (none).

President

ATTEST: _____
Secretary

09/16/2021