

MINUTES OF THE RETIREMENT BOARD
May 17, 2018

A regular meeting of the Retirement Board convened on Thursday, May 17, 2018 at 8:34 a.m. in the Large Training Resource Center (TRC) Room. The meeting was called to order by President Doug Higashi.

Roll Call – The following Retirement Board Members were present: Alex Coate, Doug Higashi, Tim McGowan, Frank Mellon, Marguerite Young, and Lisa Ricketts.

The following staff members were present: Laura Acosta, Damien Charléty, Elizabeth Grassetti, Robert Hannay, Scott Klein, Lourdes Matthew, Sophia Skoda, and Lisa Sorani.

PUBLIC COMMENT

There was none.

CONSENT CALENDAR

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

ACTION

5. Authorize Roadmap for 2018 Reallocation of Assets – Eric White from PCA and Damien Charléty from EBMUD reviewed the steps in a proposed roadmap to implement the Asset/Liability study allocations adopted by the Board in March 2018.. The goal is to implement the new asset allocations with minimal opportunity costs and disruption. The Board elected to adopt changes as follows:

- the entire reduced Domestic Equity allocation (25%) will be placed in a passively-managed Russell 3000 index fund;
- the increased 10% allocation to International Equity will be placed in a passively-managed ACWI xUS Index fund;
- the increased 5% allocation to Core Fixed Income will be placed in a passively-managed Barclays Aggregate Index fund; and
- any amount resulting from the glide path (see Item 7) will be placed in the same passively-managed Barclays Aggregate Index fund.

The Board may also consider a 10% Global allocation in the future to be equally drawn from the Domestic and International Equities passively-managed mandates. Request for Information (RFI) for managers for the 2.5% High Yield and 2.5% Bank Loans mandates will be issued.

The revised allocation is shown below:

Allocation	Active/Passive	Investment
Domestic Equity 25%	Passive	NTAM Russell 3000 25%
International Equity 25%	Active/Passive	Franklin 7.5% Fisher 7.5% NTAM ACWI xUS 10%
Fixed Income 25%	Active/Passive	CS McKee 10% BC Aggregate 5% (up to 10% with Glide Path) RFP for High Yield 2.5% RFP for Bank Loans 2.5%
Covered Calls 20%	Active/Passive	Parametric BXM 6.7% Parametric Delta Shift 6.7% Van Hulzen 6.7%
Real Estate 5%	Active	[Rebalance] RREEF America II 2.5% CenterSquare 2.5%

Doug Higashi made a motion to approve the roadmap as modified and Marguerite Young seconded the motion. The motion carried (5-0) by the following voice vote: AYES (Coate, Higashi, McGowan, Mellon, Young), NOES (none), ABSTAIN (none), ABSENT (none).

6. Determine and Authorize Initial Steps in Implementing the Recommended Road Map for Reallocation of Assets – Based on the decisions the Retirement Board made in Item 5, the Board authorized the following actions:

- The termination of managers as necessary to transition all Domestic Equity funds (40% of portfolio) to:
 - Northern Trust’s Russell 3000 fund (25%),
 - Northern Trust’s ACWI ex-US Index fund (10%),
 - Northern Trust BC Aggregate fund (5%), and
 - begin a passive manager search for these allocations.
- A glide path to move short duration Fixed Income to Core Fixed Income as outlined in Item 7
- Transfer funds between managers as needed to rebalance the Real Estate allocation.

Tim McGowan moved the implementation of the Road Map and Frank Mellon seconded the motion. The motion carried (5-0) by the following voice vote: AYES (Coate, Higashi, McGowan, Mellon, Young), NOES (none), ABSTAIN (none), ABSENT (none).

7. Authorize the Recommended Glide Path: Allocation Rules for Transition of Fixed Income Allocation From Cash To Core – Eric White from PCA and Damien Charl  ty discussed a proposed glide path from short duration fixed income to core fixed income as the

Federal Funds Rates rise. The proposal is that for each 0.25% increase in the Fed Funds Rate, \$10 Million would be moved to Core Fixed Income. If less than \$10 Million remained following a transfer of \$10 Million, then the remaining balance would be transferred and the Short Term Fixed Income account would be closed. Alex Coate made the motion to authorize the recommended glide path, and Marguerite Young seconded the motion and the motion carried (5-0) by the following voice vote: AYES (Coate, Higashi, McGowan, Mellon, Young), NOES (none), ABSTAIN (none), ABSENT (none).

INFORMATION

8. 1st Quarter Performance Review as of March 31, 2018 – Eric White of PCA reviewed the 1st quarter results. The Fund ended the quarter at \$1.7 Billion, down -1.1% for the quarter. It returned 10.4% for the year, 7.4% for the 3-year, and 9.5% over five years, and 7% over 20 years.

9. Update on Current Retirement Board Election, and Schedule For The Election Of The Retiree Representative To The Retirement Board – Staff updated the Board on the ongoing election for Board Member Tim McGowan’s seat, and reviewed the schedule for Retiree Representative to the Board election which be held over the summer.

REPORTS FROM THE RETIREMENT BOARD

10. Brief report on any course, workshop, or conference attended since the last Retirement Board meeting – Alex Coate and Tim McGowan attended the Pension Bridge Conference.

ITEMS TO BE CALENDERED / UPCOMING ITEMS

- Updated Guidance on ESG by DOL
- Settlement Litigation Update
- Opus Transition Highlights
- CEM Benchmarking
- Reallocation Transition Report

ADJOURNMENT – Doug Higashi moved to adjourn the meeting at 11:48 a.m. and Marguerite Young seconded the motion; the motion carried (5-0) by the following voice vote: AYES (Coate, Higashi, Mellon Young, and McGowan), NOES (none), ABSTAIN (none), ABSENT (none).

President

ATTEST: _____
Secretary

7/19/2018