

**MINUTES OF THE RETIREMENT BOARD**  
**September 21, 2017**

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A regular meeting of the Retirement Board convened on Thursday, September 21, 2017 at 8:30 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, and Marguerite Young.

The following staff members were present: Dari Barzel, Lourdes Matthew, Sophia Skoda, and Lisa Sorani.

**PUBLIC COMMENT**

There was none.

**ANNOUNCEMENT OF CLOSED SESSION AGENDA**

1. **Application for Disability Retirement of Charles Williams (R.B. Resolution No. 6866)**

The Retirement Board in closed session approved the disability retirement of Charles Williams with medical re-evaluations every five years until he reaches the age of full retirement. Frank Mellon moved the resolution and Alex Coate seconded. The motion carried (5-0) by the following voice vote: AYES (Coate, Higashi, McGowan, Mellon, Young), 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 Marguerite Young. The motion carried (5-0) by the following voice vote: AYES (Coate, Higashi, McGowan, Mellon, Young), NOES (none), ABSTAIN (none), ABSENT (none).

**ACTION**

5. **Select Asset-Liability Study Model** – Eric White of PCA reviewed history of last asset-liability study which was done in 2013. He highlighted that there have been structural changes in EBMUD's portfolio with the addition of covered calls and non-core fixed income, the change to the assumed rate of return from 8% to 7.25%, and the plan has entered a net distribution phase. He then presented three modeling options: Asset Allocation Review, Integrated Simulation Approach, or Multi-Dimensional Risk Factor Approach. The Integrated Simulation Approach was used for the last Asset Liability study. The Board discussed the approaches and preferred the Integrated Simulation Approach, but they felt that there was need to review the board's risk tolerance in advance of the study. They requested that a pre-modeling discussion on risk occur prior to the Asset Liability study. Marguerite Young made the motion to select Option 2,

Integrated Simulation Approach and Alex Coate 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. **Select Actuarial Auditor Based on RFP Responses** – Sophia Skoda recommended that Bartel Associates be selected to do a full scope (level one) audit of the Retirement System’s most recent experience study, actuarial valuation, and review of the pension plan. Staff sent out a request for proposal and received two responses: from Milliman and Bartel Associates. Bartel’s submission was more responsive, their fees were substantially lower, and they had extremely good recommendations. Frank Mellon moved the recommendation 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).

## **INFORMATION**

7. **2<sup>nd</sup> Quarter Performance Review as of June 30, 2017** – Eric White from PCA reviewed the Quarter-end results. The fund ended the second quarter at \$1.6 Billion, an increase of \$56 million for the quarter and \$205 million for the year. For the quarter ending June 30, 2017, all six EBMUD Domestic Equities managers had matched or out-performed their benchmarks. Real estate manager Center Square is in the process of buying themselves back from BNY Mellon. EBMUD’s portfolio exceeded its policy benchmark for the quarter, 1-year, 3-year, 5- year, and 10-year time periods, and outperformed many of its larger peers.

8. **Vulnerability of ERS to Market Performance** – At the Board’s request, Andy Yeung from Segal Co. presented an analysis of the impact of a major market downturn on the funding status and contributions rates of the retirement system. Segal’s study used the System’s returns for the period of July 1, 2006 to June 30, 2016 which captured an example of market volatility. Segal used these numbers to project hypothetical contribution rates for a period beginning in FY 16/17 through FY 26/27. Actuarially assumed contribution rates varied on a market valuation basis from 39.6% to 54%, and the unfunded actuarially accrued liability (UAAL) varied rose to \$683 Million and then decreased to \$563 million. The funded ratio under this hypothetical model ranged from an actuarially assumed rate of 70.7% in 2017 to 81.4% in 2026.

9. **Low Income Adjustments for Retired Members and Surviving Spouses** – Lisa Sorani presented the results of the annual Low Income Adjustment process. In 2017 there were 38 eligible retirees who were sent information about the program. There were no responses or applications for the Low Income Adjustment resulting from the mailing.

## **REPORTS FROM THE RETIREMENT BOARD**

10. **Brief report on any course, workshop, or conference attended since the last Retirement Board meeting** – Tim McGowan attended the SACRS Advanced Training and UC Berkeley, which he thought was very good and convenient. He liked that the trainers were from the industry but not doing sales. There were classes on human behavior, hedge funds, and real estate.

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**ITEMS TO BE CALENDERED / UPCOMING ITEMS**

**ADJOURNMENT** – Alex Coate moved to adjourn the meeting at 10:31 a.m. and Doug Higashi 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).

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President

ATTEST: \_\_\_\_\_  
Secretary

11/16/2017