

MINUTES OF THE RETIREMENT BOARD
March 15, 2018

A regular meeting of the Retirement Board convened on Thursday, March 15, 2018 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. Board Member Lisa Ricketts arrived at 12:40 p.m.

The following staff members were present: Elizabeth Grassetti, Richard Lou, 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 Alex Coate and seconded by Doug Higashi. The motion carried (5-0) by the following voice vote: AYES (Coate, Higashi, McGowan, Mellon, Young), NOES (none), ABSTAIN (none), ABSENT (none).

ACTION

5. Determine Annual Retiree Cost Of Living Adjustment (COLA) to be effective July 1, 2018 – Staff recommended that the Board adopt a 3.0% Retiree COLA effective July 1, 2018. The CPI is calculated in accordance with Ordinance Section 33 and Board Rule B-11 and is based on the CPI-Urban for the Bay Area. Additionally 0.2% will be added to each retiree's COLA bank.

Frank Mellon made the motion to adopt the COLA and Doug Higashi 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. Adopt Actuarial Audit Review – Deanna Van Valer and Cathy Wandro from Bartel Associates presented the results of the actuarial audit which included a full replication of the 2017 actuarial study and experience study. The data matched very closely to what Segal had come up with. There were a few suggestions for improvement including possibly reducing the discount rate and using the CalPERS mortality tables rather than the national table. The results showed that Segal has provided sound actuarial recommendations and methodologies consistent with industry standards.

Frank Mellon moved adopting the report and Tim McGowan 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. Review Opus Performance – Eric White from PCA reviewed the performance of Opus, the District’s Small Cap Value manager. Opus has been on watch status for 7 of the 12 years that it has been in the portfolio and has trailed the benchmark over that time. EBMUDERS portfolio has grown to a larger share of the Opus portfolio, as funds and assets have decreased. PCA recommended moving the funds to a passive Russell 2000 account at Northern Trust at a cost of 2 basis points. Marguerite Young made the motion to terminate the account at Opus and move the funds to a passive Russell 2000 account at Northern Trust. Tim McGowan 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).

8. Determine Asset-Liability Options through Live Modeling and Adopt Asset-Liability Study - Eric White from PCA and Dimitri Mindlin from CDI Advisors gave a brief overview of the Asset-Liability study, reminding the Board that the 90% of investment outcomes come from the asset classes selected. Eric then reviewed the constraints that are placed on the portfolio and reviewed the model portfolios before going to live modeling of model portfolios. The Board made suggested changes to the portfolio which were run through the modeling program and reviewed the results. After a number of iterations, the Board determined the following portfolio:

Asset	Percentage
Cash	0
Core Fixed Income	20
Bank Loans	2.5
High Yield Bonds	2.5
Real Estate	5
Domestic Equity	25
Covered Calls	20
International Equities	25

The Board also agreed that staff would look at REITS in the real estate portfolio and review the international equities portfolio.

Frank Mellon moved the adoption of the portfolio and Doug Higashi 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

9. 4th Quarter Performance Review as of December 31, 2017 – Eric White of PCA reviewed the 4th quarter results. The Fund had strong returns in the quarter, up 4% to \$1.7 Billion. The fund returned 16.8% for the year, 11.1% over 5 years, and 7.5% over 20 years. Domestic Equity was up 21.9%, International Equity was up 27.1% but trailed the benchmark of 27.8%, and covered calls were up 14.3% for the quarter. Core fixed income did well, returning 0.6% for the quarter and Non-core fixed income managers matching or outperforming their benchmarks.

10. Segal Contract Extension – Sophia Skoda informed the Board that the contract for Segal is being extended for one year through March 2019.

11. Legal Monitoring of Investment Funds –The custodian of the retirement system, Northern Trust, generally monitors and files claims on the system’s behalf, however, if the information required to file a claim is difficult to obtain, they will not file the claim on behalf of the system. Sophia Skoda informed the Board of an increase in notification of legal claims for which the Retirement System could be eligible. If retirement system staff can file an estimated claim, and the claim which requires minimal resources and time, staff will proceed with the claim.

12. Non-voting Retirement Board Member Communication – Elizabeth Grasseti updated the retirement board on the steps taken to provide the retiree member of the Retirement Board access to a District e-mail address and to gather retiree e-mails for use by the retiree representative while carrying out her duties.

13. Annual Health Insurance Benefit Survey – Elizabeth Grasseti reviewed the results of the annual Health Insurance Benefit Survey. Changes to the survey this year included asking for pricing on the two most popular plans and if there was a change to the vesting schedule. Four of the agencies surveyed had increases to their plan costs; three agencies had no increase in the amount of their employer paid medical; and one, Contra Costa Water District, became part of the CalPERS health Plan System, saving upwards of 52% in premiums.

14. Annual Report on Retiree COLA and HIB – Elizabeth Grasseti walked through the annual review of the COLA and HIB. The average COLA over the past 20 years is 2.7%; the HIB has not increased since 2004 and the average retiree pension in 2017 was \$5,175.

REPORTS FROM THE RETIREMENT BOARD

15. Brief report on any course, workshop, or conference attended since the last Retirement Board meeting – Alex Coate attended the Green Bonds Conference where they discussed the importance of ESG/Climate change and discussed green bonds. Frank Mellon is planning to attend the International Foundation Conference in October.

ITEMS TO BE CALENDERED / UPCOMING ITEMS

| Review investment managers in light of new asset allocation.

ADJOURNMENT – Frank Mellon moved to adjourn the meeting at 1:30 p.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).

President

ATTEST: _____
Secretary

| 5/17/2018