

MINUTES OF THE RETIREMENT BOARD
January 18, 2018

A regular meeting of the Retirement Board convened on Thursday, January 18, 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, Lisa Ricketts, and Marguerite Young.

The following staff members were present: Elizabeth Grasseti, Lourdes Matthew, and Sophia Skoda.

PUBLIC COMMENT

There was 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. **Adopt Annual Actuarial Valuation of the Retirement System as of June 30, 2017** – Andy Yeung and Dirk Adamsen of Segal Consulting presented the Actuarial Valuation of the Pension System and Health Insurance Benefit (HIB). The system had 1,802 active members, and 1,713 pensioners and beneficiaries, an increase of 0.7% and 5.1% respectively, from the June 30, 2016 valuation. The funded status increased to 74.9% for the pension plan and 26.7% for the HIB, for a combined ratio of 72.3%, an increase of 3.5% from the 2016 valuation. The increase in funded ratio can be attributed to the fact that ongoing negotiations have delayed the annual GSI adjustment, and better than expected investment returns. The report recommended that the actuarially derived contribution rates decrease slightly.

However, Staff recommended that the employer rates not change for the 2018-2019 FY because the higher than expected investment returns are not expected to be sustained over the long run, and the expectation that the assumed rate of return may be lowered as part of the next experience study.

Actuarially Derived Contribution Rates				
	FY19		FY18	
Employer	1955/1980 Plan	2013 Plan	1955/1980 Plan	2013 Plan
Pension	36.66%	29.91%	37.92%	31.30%
HIB	5.32%	4.92%	5.26%	4.86%
Total	41.98%	34.83%	43.18%	36.16%
Member				
Pension	8.66%	8.75%	8.66%	8.75%
HIB	0.09%	0.09%	0.09%	0.09%
Total	8.75%	8.84%	8.75%	8.84%

Adopted Rates		
	FY19	
Employer	1955/1980 Plan	2013 Plan
Pension	37.86%	31.24%
HIB	5.32%	4.92%
Total	43.18%	36.16%

Alex Coate made the motion to adopt the June 30, 2017 actuarial valuation, and accept staff's recommendation that the contribution rates remain unchanged. 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

- Support for Climate Action 100+ Initiative** – Sophia Skoda was seeking direction from the Retirement Board on the invitation to participate in the Climate Action 100+ initiative. CERES is seeking public sector involvement in the initiative. Staff recommended that the Retirement System become a supporter rather than a participant because engagement activities are not required. Supporters are requested to support the statement and initiative objectives, and request that their managers join the initiative.

Marguerite Young made the motion to participate in the Climate Action 100+ initiative at the Supporter level. 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. **Declare Interest Rate Credited to Members for Period Ending December 31, 2017 (R.B. Resolution No. 6873)** – Staff requested that the Board approve the motion to adopt the annual interest rate of 7.25% to be credited to the balance of Member Contributions as of June 30, 2017. The Retirement Ordinance requires that the rate be the lesser of the assumed rate of return, which currently is 7.25% or the 5-year average rate of return on retirement system investments which is 10.9%. The interest rate credited will be prorated to a semi-annual amount of 3.625%.

Doug Higashi made the motion to adopt the interest rate of 7.25%. 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).

8. **PCA Contract Extension** – Sophia Skoda informed the Board that staff has extended the contract with Pension Consulting Alliance (PCA) for one year pursuant to option in the contract.
9. **3rd Quarter Performance Review as of September 30, 2017** – Eric White from PCA reviewed the results for the 3rd quarter. The fund returned 3.6% for the 3rd quarter, and 14.6% for the 1- year, 10.6% for the 5-year period, 6.2% for the 10-year, and 7.3% for the 20-year returns. Eric reported that Opus, the small-cap value manager has struggled. Its investment style has not been favored by the market, and it is losing a significant amount of its assets. EBMUD's holdings are 19% of the fund. The Board requested that staff bring back Opus as an action item at the March 15, 2018 meeting so they can consider making some changes to the small cap value investments.
10. **Training Module: Decision Factors for Evaluating Plan Risk** – Eric White from PCA provided training on risk tolerance and decision factors in order to prepare the Board for the upcoming Asset-Liability study. He reviewed the how a risk philosophy is constructed by a combination of weighted decision factors. Decision factors are measures of a financial objective.
11. **Working Capital Management Strategy** – Damien Charléty reviewed the working capital management strategy which has been implemented because benefit payments now exceed the total contributions from the District and employees. Staff is proposing to fund the retirement system's Local Agency Investment Fund (LAIF) annually with an amount sufficient to cover the projected shortfall for the fiscal year.
12. **Annual Retirement Board Training Report** – Elizabeth Grasseti provided a report of Board Member training hours and costs for 2017.

REPORTS FROM THE RETIREMENT BOARD

13. **Brief report on any course, workshop, or conference attended since the last Retirement Board meeting** – There were none.

Minutes
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ITEMS TO BE CALENDERED / UPCOMING ITEMS

ADJOURNMENT – Doug Higashi moved to adjourn the meeting at 12:35 p.m. and Tim McGowan 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

3/15/2018