

MINUTES OF THE RETIREMENT BOARD
November 16, 2017

A regular meeting of the Retirement Board convened on Thursday, November 16, 2017 at 8:35 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 9:10 a.m.

The following staff members were present: Dari Barzel, Elizabeth Grasseti, 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. **Center Square Watch Status Recommendation** – Eric White of PCA reviewed the September 2017 sale of Center Square to its management team and the private equity firm, Lovell Minnick Partners. He said that PCA doesn't expect the sale to cause a problem because the management team is still in place, however, they will watch it closely. It is standard protocol to place a fund on watch status when there is an organizational change.

Frank Mellon made the motion to place Center Square on watch status 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

6. **ERS' Audited Financial Reports** – Scott Klein, the District's Controller, reviewed the EBMUDERS Audited Financial Statement. The Fund received a clean opinion from Maze & Associates. He said that the fund was up \$195 million, a 13.7% increase during the year. During fiscal year 2017 \$98.15 million was paid in benefits, an increase of 7.68%. Contributions to the fund were a total of \$92.41 million, up 3.68% from the prior year. The

Unfunded Actuarial Accrued Liability (UAAL) was up \$51.28 million, and the Plan's funding ratio was 71.4%. Active Membership increased to 2,070 (including vested Members) and 1,712 Members are receiving benefits. The Board asked staff to include the market (GASB) and actuarial funded amount and percentage on the same chart for comparison purposes. There would be one chart for HIB and one for Pension funding.

7. **3rd Quarter Performance Review as of September 30, 2017** – Eric White from PCA reviewed Draft Quarter-end results. The fund ended the third quarter at \$1.66 Billion, an increase of \$55 million for the quarter and \$210 million for the year, an increase of 14.6%. Domestic equity was under for the quarter at 4.2%, but out performed for the year at 19.8%. Similarly, International Managers underperformed for the quarter at 6.2%, but returned 23.3% for the year out-performing the benchmark. Covered Calls produced strong results with 3.5% for the quarter and 13.6% for the year, outperforming the benchmark of 2.5% and 12.8% respectively. Fixed Income and Real Estate essentially matched their benchmarks for the quarter.
8. **CEM Benchmarking Results** – Sophia Skoda reviewed the results of CEM benchmarking survey. The survey used 2016 data, and the EBMUDERS is among the smallest of the 166 U.S. Pension Funds participating. The Fund's total net returns were 8.2% which was the U.S. median of 7.9%. The Fund's investment costs were 35 basis points, 9 basis points below the average fund cost of 44.5 Basis Points. The Fund's asset risk was 10.3%, which was the U.S. Average of 9.3% because of the aggressive investment mix. The asset/liability risk was 14.8% for the Fund, which was the U.S. median of 12.7%, and which measures the volatility of the plan but may be overstated due to having Covered Calls categorized as equities.
9. **Glass Lewis Presentation** – John Wieck, Courteney Keating, and Cassie Huntley from Glass Lewis gave an overview of the firm and the services they will be providing EBMUDERS as the proxy voting services provider. Glass-Lewis has 360 employees and has headquarters in the Bay Area. It is owned by Ontario Teachers' Pension Plan (80%) and Alberta Investment Management Corporation (20%). They provide research and proxy voting services. The speakers reviewed a sample of their Proxy Paper's which are their research reports and which are available on their website. They also reviewed "Viewpoint" which is their proxy voting and reporting interface. Courteney Keating reviewed the Public Pension Policy which we will be using and compared it to the standard Glass Lewis policy. Lastly, they reviewed areas to watch including climate change, board composition, and Human Capital Management issues. The Board asked that they receive some training on using the system.
10. **Training Module: Incorporating ESG Investment Funds Into An Investment Portfolio** – Sarah Bernstein from PCA introduced Molly Ono from Impax Asset Management, who discussed the evolution of ESG investing & sustainability, the methods used to screen for ESG, and approaches and examples of implementation of screening. She also touched questions to ask investment managers about philosophy, strategy and investment process.
11. **District Health Plan Updates** – Lisa Sorani provided an update on retiree health plans and their rates for 2018. Items of note were the continuing increase of costs of the Health Net Plan which has caused continued decline in participation. ACWA/JPIA increased the

maximum out-of-pocket costs for Anthem Blue Cross to \$2,000 for single and \$4,000 for family coverage. Also, the Delta Premier dental plan costs have dropped 15% because they will be self-funded beginning in 2018.

12. **Disability Earnings Income Verification for 2017** – Elizabeth Grassetti reported that of the thirty disability retirees tested, none exceeded their “earnings safeguard” in 2017.
13. **Schedule of Retirement Board Meetings for 2018** – Elizabeth Grassetti presented the 2018 Retirement Board meeting schedule. All meetings are scheduled for the third Thursday of alternating months beginning in January.
14. **Schedule of Retirement Board Member Elections for 2018** – Elizabeth Grassetti reminded the board that one employee representative and the retiree representative’s seats will expire in 2018. Retiree Representative Lisa Ricketts said that she would not be continuing as Board Member because without retiree e-mail addresses or other communication options, and no ability to cast a vote, she doesn’t feel that she can be effective in her role. Other board Members suggested that there should be a blog or chat function available on the EBMUD.com website for retirees. Lisa Ricketts pointed out that UDEA has retiree e-mails and addresses, and that if they have this information she should be able to have it, too. Staff will look into solutions for communications between the retiree representative and retirees.

REPORTS FROM THE RETIREMENT BOARD

15. **Brief report on any course, workshop, or conference attended since the last Retirement Board meeting** – Tim McGowan attended the SACRS Fall Conference which he said was very interesting. He handed out pages from a SACRS Benchmarking Survey. EBMUDERS over the past 10 years had better results, with lower Investment fees in comparison to the average SACRS Plan.

ITEMS TO BE CALENDERED / UPCOMING ITEMS

ADJOURNMENT – Marguerite Young moved to adjourn the meeting at 11:50 a.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

1/18/2018