

**MINUTES OF THE RETIREMENT BOARD**  
**November 15, 2018**

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A regular meeting of the Retirement Board convened on Thursday, November 15, 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: Laura Acosta, Damien Charléty, Elizabeth Grasseti, Konana Gregory, Robert Hannay, Lourdes Matthew, Sophia Skoda, and Lisa Sorani.

**PUBLIC COMMENT**

There was none.

**CLOSED SESSION**

1. Significant exposure to litigation pursuant to Government Code Section 54956.(9)(e)(2):  
*Blanca Basch's Claim for Surviving Spouse Benefits.*

The Retirement Board discussed the matter

2. Personnel matters pursuant to Government Code Section 54957:
  - a. Application for Disability Retirement of Melissa Carreon (R.B. Resolution No. 6884)

The Retirement Board discussed the matter.

**REGULAR BUSINESS MEETING:**

The Regular business meeting commenced at 9:06 a.m. The following Retirement Board Members were present: Alex Coate, Doug Higashi, Tim McGowan, Frank Mellon, Lisa Ricketts and Marguerite Young.

**ANNOUNCEMENT FROM CLOSED SESSION:**

1. Doug Higashi announced that one disability retirement was approved in closed session.
  - a. Application for Disability Retirement for Melissa Carreon was moved by Frank Mellon and seconded by Marguerite Young. The Retirement Board Resolution 6884 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 Alex Coate 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. Determination of Eligibility for Surviving Spouse Benefits for Blanca Basch** – This item was continued from the September 20, 2018 Retirement Board Meeting where the Board asked Mrs. Basch to provide further documentation to demonstrate she was married to Mr. Basch at the time of his retirement and at least one year prior to his death. Mrs. Basch provided additional documentation as requested and appeared before the Board. Mrs. Basch read a statement to the Board regarding the additional documentation she provided which included a Grant Deed from 1988 and a Certification of Naturalization dated September 9, 2008. In both documents, she represented herself as married. She also supplied documents to attest to her character including commendations and resolutions for service as a Deputy Commissioner of Marriage in Contra Costa County

Alex Coate made a motion to determine that she is eligible for surviving spouse benefits. 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).

**6. CenterSquare Release from Watch Status** – Eric White from PCA recommended that CenterSquare be removed from watch status because the investment process and portfolio management team has remained stable since it was placed on watch in November of 2017 due to a sale to the management team and Lovell Minnick Partners, a private equity firm. Marguerite Young moved to approve the action 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. Direction to Continue Holding Private Placement Securities** – Sophia Skoda requested direction from the Board regarding the holding of private placement securities that the plan acquired in the T. Rowe Price domestic equity strategy. In the transition to a passive domestic equity strategy, the transition manager identified 17 private placement securities issued by five companies that were unable to be sold. Staff has researched options available to the retirement system including selling the securities, or holding them until a liquidity event, such as an IPO occurs. Staff recommended that the securities be held to until a public market is created through an IPO, at which time the securities will be liquidated. Alex Coate moved to adopt the staff recommendation and asked that staff provide periodic updates. Doug Higashi 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. Audited Financial Report** – Scott Klein reviewed the Retirement System Financial Report for the year ending June 30, 2018. He highlighted the following:

- Benefits paid to Members increased 7.98% to \$105.98 million.
- Total District and Member contributions received increased by 5.81% to \$97.78 million.
- Growth in the fund has primarily been through investment income over the past nine years.
- The funded ratio has grown to 74.9% over the last ten years, even as the actuarially assumed rate of return has been reduced.
- The Health Insurance Benefit funded ratio has increased to 26.7% in 2017.
- Active and Vested Membership have increased to 2,126, and retirees and beneficiaries have increased to 1,766 for a total population of 3,892.

**9. 3<sup>rd</sup> Quarter Performance Review as of September 30, 2018** – Eric White from PCA reviewed the preliminary 3rd quarter results for the fund. The final report will be available at the January meeting. The fund ended the quarter at \$1.8 Billion, up 3.2% for the quarter. It returned 7.7% over 20years, and 9.4% over 10 years. Domestic Equities returned 19.3% for the year, outperforming the benchmark of 17.6%. International equities had modest returns at 2.3%. Covered Calls have done well, returning 9.3% for the year. Real Estate also did well, returning 7.2% for the 1-year, 9.1 for the 3-year and 11.0% for the 5-year.

**10. Review of FY 2018 Proxy Voting** – Sarah Bernstein from PCA provided a brief overview of the Funds proxy voting results since the implementation of the ESG guidelines and the selection of Glass Lewis for proxy voting and research services in 2017. Glass Lewis provides proxy services for the District’s actively managed equities, and Northern Trust provides proxy voting services for passively managed equities. Both provided a review of the proxy voting results.

John Wieck and Courtney Keating reviewed Glass Lewis’s proxy voting results and the criteria they use to vote EBMUDERS’ proxies. They voted 8,278 proxies for EBMUDERS; and of those they voted 71.6% with management, 21% against, and they took no action on 2.4%. They voted for shareholder proposals 3.4% of the time. They voted EBMUDERS votes using the public pension policy and compared how they would have voted if they had voted using the ESG policy.

Tamara Doi Beck and Jake Weaver reviewed the Northern Trust proxy voting criteria and engagement. They discussed examples of engagements regarding Diversity and Inclusion, Green House Gas Emissions, Board and workforce diversity, and “over-boarding” of directors. They conducted 160 engagement meetings with 140 companies.

**11. Update on Fixed Income** – Damien Charléty gave an update on the movement of Fixed Income from WAMCO to Federated and MacKay Shields in line with the glide path schedule. As a result of the transition, the management fee at WAMCO will increase to 25 basis points when the balance they manage falls below \$100 million, and the final transfer will occur when the balance falls below \$20 million.

**12. CEM Benchmarking Report** – Sophia Skoda gave a review of the 2017 Investment Benchmarking Analysis from CEM Benchmarking Survey. The Retirement System’s net return was 16.4%, which is above the U.S. median of 15.2%. The investment cost was 33.4 basis points, which was well below the benchmark of 54.5 basis points. The Retirement System’s asset risk was 11.3% compared to the 9.7% U.S. median, which may be because Covered Calls are categorized as equities and because the Fund does not hold private investments.

**13. District Retirement Health Plan Update** – Lisa Sorani provided an update of the benefit plans for 2019. Early retirees in Kaiser had a premium increase of 6.2% and ACWA/JPIA Blue Cross Early Retiree plans increased 1.7%. Health Net is being replaced by Sutter Health Plus for early retirees and by Anthem Cal Care for Medicare eligible retirees. Kaiser Senior Advantage increased 7.9% and ACWA/JPIA Blue Cross Age 65 increased by 1%. Delta Dental’s Retiree Delta Premier increased by 13% for 2019.

**REPORTS FROM THE RETIREMENT BOARD**

**Brief report on any course, workshop, or conference attended since the last Retirement Board meeting**

There were no reports.

**ITEMS TO BE CALENDERED / UPCOMING ITEMS**

- Proposal to revise the Investment Policy
- Confirm the May 2019 meeting date

**ADJOURNMENT** – Doug Higashi moved to adjourn the meeting at 12:15 p.m. 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).

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President

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

1/17/2019