

## **MINUTES OF THE RETIREMENT BOARD**

### **January 15, 2015**

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A regular meeting of the Retirement Board convened on Thursday, January 15, 2015 at 8:38 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, William Patterson, and Lisa Ricketts.

The following staff members were present: Jylana Collins, Rod Deiter, Elizabeth Grassetti, Eric Sandler, Sophia Skoda, Lisa Sorani, and Delores Turner.

### **ANNOUNCEMENTS FROM CLOSED SESSION**

The Retirement Board approved the disability retirement of Margaret Birmingham (R.B Resolution No. 6812). The motion was made by Frank Mellon and seconded by Tim McGowan. The motion carried (5-0) by the following voice vote: AYES (Coate, Higashi, McGowan, Mellon, Patterson), NOES (none), ABSTAIN (none), ABSENT (none).

### **PUBLIC COMMENT**

Leon Duan from ASCME Local 444 was introduced as the new representative attending the Retirement Board Meetings, and spoke on behalf of Margaret Audrey Birmingham and her application for disability retirement.

Frank Mellon introduced Marguerite Young, the newest member of the Board of Directors.

1 - 4. **Consent Calendar** – A motion was made by Frank Mellon and seconded by Bill Patterson to approve the Consent Calendar. The motion carried (5-0) by the following voice vote: AYES (Coate, Higashi, McGowan, Mellon, Patterson), NOES (none), ABSTAIN (none), ABSENT (none).

### **ACTION**

5. **Adopt the Actuarial Valuation of the Retirement System as of June 30, 2014** – Andy Yeung from Segal presented the actuarial valuation as of June 30, 2014. Both assets and payroll were up which caused funding levels to increase to 68.9% for the pension plan on a valuation value of assets basis and unfunded liabilities down by \$4 million dollars. The unfunded liabilities decreased due to higher than expected investment returns, less than expected salary increases, lower than expected COLA increases for retirees, offset by changes to economic assumptions (reduction in the assumed rate of return), mortality losses for retirees (retirees living longer) and higher than expected liabilities for recently retired 1980 plan Members. The recommended employer contribution rates for the 2015-2016 fiscal year decreased slightly to 43.22% for the 1980 Plan and 35.98% for the 2013 Plan.

The HIB valuation also showed an increase in funding level to 17.83%.

Bill Patterson moved to accept the recommended rates for 2015-2016 and Doug Higashi seconded the motion. The motion carried (5-0) by the following voice vote: AYES (Coate, Higashi, McGowan, Mellon, Patterson), NOES (none), ABSTAIN (none), ABSENT (none).

**6. Declaring the interest rate to be credited to Member contributions for the period ending December 31, 2014** – Elizabeth Grassetti advised the Board that the rate of interest to be credited to accumulated Member's contributions for the semi-annual period ending 12/31/2014 is the lesser of the assumed rate of return of 7.75% or the five year average rate of return for the retirement system investments which was 15%. Frank Mellon moved the resolution to credit a rate of 7.75% to Member Contributions (3.875% semi-annually). Bill Patterson seconded the motion. The motion carried (5-0) by the following voice vote: AYES (Coate, Higashi, McGowan, Mellon, Patterson), NOES (none), ABSTAIN (none) ABSENT (none).

## **INFORMATION**

7. **Draft Retirement Board Training Policy** – Elizabeth Grassetti presented the draft Retirement Board Training Policy and stated that it would be brought back in March 2015 as a Retirement Board Rule. The Board asked that a budget also be developed for training, and staff indicated that a budget for Retirement System expenses including training would be developed and presented at the March 2015 meeting.

8. **Training Opportunities Schedule** – Elizabeth Grassetti presented the CALAPRS training schedule for 2015.

9. **Employee Retirement System Education Modules** – Eric Sandler introduced the concept of retirement system training modules and reviewed the scheduled trainings for the 2015 retirement board meetings.

10. **Training Module – International Equities** – Eric White from PCA provided the first training module which was a review of the international equity class. He pointed out that 51% of the global equity markets are based outside of the United States and that international equities provide a large opportunity set for investments, many of which are household names in the United States. The international equity markets are divided into developed and emerging markets, with emerging markets having experienced rapid growth over the past 30 years and representing 50% of the global economy. International equities provide diversification in a portfolio and have unique risks associated with them. He then reviewed EBMUDERS' allocation to international equities and how the allocations to Fisher Investments and Franklin-Templeton provide diversification and have low correlation to each other.

11. **Presentation from Investment Manager Fisher Investments** – Margaret Chan, Relationship Manager for Fisher Investments, provided a brief overview of the firm, investment philosophy, and process for investment selection. She explained how the investment portfolios are constructed and which countries and sectors are over-weighted and under-weighted relative to the index. She then discussed the benefits Fisher believes it brings to its investors.

12. **Health Insurance Benefit Survey Results** – Elizabeth Grasseti presented the annual Health Insurance Benefit Survey. Generally the trends have continued with systems increasing vesting requirements and co-pays on insurance plans. Insurance premiums have increased approximately 6.7% on average. The board requested that next year the OPEB liability for each plan be shown along with a ranking of the benefits and a count of the number of EBMUD retirees and beneficiaries eligible for Medicare.

13. **Explanation of Purchase of Service Calculation** – Elizabeth Grasseti briefly reviewed the inputs that are used to determine the costs to purchase retirement service credit.

### **REPORTS FROM THE RETIREMENT BOARD:**

14. Frank Mellon said he had attended the International Foundation Conference and reminded the board that he had access to presentation materials and would share them if there was interest.

Alex Coate informed the Retirement Board that the Board of Directors had asked that the Retirement Board review the effect on the retirement system of changing the Employees Retirement System vesting requirement for Board Members from five years of service to ten years of service.

### **ITEMS TO BE CALENDERED**

- Proposed Retirement System Budget
- Retirement Board Training
- Review of Board of Directors Retirement Vesting change
- Audit of Actuary

**ADJOURNMENT** – William Patterson moved to adjourn the meeting at 12:37 a.m. and Doug Higashi seconded the motion; the motion carried (5-0) by the following voice vote: AYES (Coate, Higashi, McGowan, Mellon, Patterson), NOES (none), ABSTAIN (none), ABSENT (none).

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

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President

3/19/2015