

**MINUTES OF THE RETIREMENT BOARD**  
**January 16, 2020**

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A regular meeting of the Retirement Board convened on Thursday, January 16, 2020 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 (ABSENT), Marguerite Young, and Lisa Ricketts.

The following staff members were present: Konana Gregory, Lisa Sorani, Laura Acosta, Lourdes Matthew, Sophia Skoda, Robert Hannay, and Damien Charléty.

**PUBLIC COMMENT**

Eric Larson, Local 444 Representative, noted the news of investment management firm Black Rock's public statement that they will now assess environmental, social, and governance with the same rigor that it analyzes traditional measures such as credit and liquidity risk. Eric then commended the Retirement Board members for their work in understanding the issues of Environmental, Social, and Governance issues on investing.

**CONSENT CALENDAR**

**1-4. Consent Calendar** – A motion to move the consent calendar was made by Marguerite Young and seconded by Alex Coate. The motion carried (4-0) by the following voice vote: AYES (Coate, Higashi, McGowan, Young), NOES (none), ABSTAIN (none), ABSENT (Mellon).

**ACTION**

**5. Adopt Annual Actuarial Valuations of the Retirement System as of June 30, 2019** – Andy Yeung and Dirk Adamsen of Segal Company presented the actuarial report for the Pension and Health Insurance Benefit (HIB) Plans. Plan assets increased 4.5% to \$1.833 billion on a market value basis for the year ending June 30, 2019. The funded ratio for the Pension Plan increased to 75.9%, and in combination with the Health Insurance Benefit (HIB) Plan was 73.8% with a \$645.96 million unfunded actuarial accrued liability (UAAL). The actuarially-determined contribution rates were down 1.01% for the 1955/1980 Plan and down 1.02% for the 2013 Plan. Because the assumed rate of return is likely to be lowered in the future, and because of lower expected investment returns going forward, staff recommended that the contribution rates remain unchanged from Fiscal Year 2020 (FY20) to Fiscal Year 2021 (FY21). The staff-recommended employer rates, as compared with the actuarially determined rates for FY21, are shown below.

<b>Actuarially Determined Contribution Rates</b>				
	<b>FY21</b>		<b>FY20 (Adopted)</b>	
<b>Employer</b>	<b>1955/1980 Plan</b>	<b>2013 Plan</b>	<b>1955/1980 Plan</b>	<b>2013 Plan</b>
Pension	37.29%	30.52%	37.86%	31.24%
HIB	4.88%	4.62%	5.32%	4.92%
<b>Total</b>	<b>42.17%</b>	<b>35.14%</b>	<b>43.18%</b>	<b>36.16%</b>

Doug Higashi made the motion to accept staff’s recommendation to maintain the employer contribution rates for FY21 the same as adopted in FY20 instead of accepting the lower actuarially determined employer contribution rates provided by the actuaries, and Tim McGowan seconded the motion. The motion carried (4-0) by the following voice vote: AYES (Coate, Higashi, McGowan, Young), NOES (none), ABSTAIN (none), ABSENT (Mellon).

**6. Declare Interest Rate Credited to Members for Period Ending June 30, 2019** – In accordance with Retirement Ordinance Section 4(d) and Retirement Board Rule B-9, the annual rate of interest credited to Member contributions effective December 31, 2019 will be the lesser of the actuarially assumed rate of return or the five (5) year average rate of return on Retirement System investments for the period ending June 30, 2019. As of June 30, 2019, the actuarially assumed rate of return is 7.25%, and the five-year average rate of return was 7.1%. The annual interest rate to be declared should be 7.1%, and the rate credited to Member accounts will be prorated to a semi-annual rate of 3.55%. The interest will be credited effective December 31, 2019 to the balance of employee contributions and interest as of June 30, 2019. Marguerite Young moved the recommendation, Tim McGowan seconded the motion, and the motion carried (4-0) by the following voice vote: AYES (Coate, Higashi, McGowan, Young), NOES (none), ABSTAIN (none), ABSENT (Mellon).

**INFORMATION**

**7. Update on Climate Action 100+ Initiative** – Morgan La Manna, Senior Manager for Investor Engagement on Climate Action 100+ at CERES led the board through a review of the first annual progress report on the Climate Actions 100+ Initiative that was released in September, 2019. The annual progress report included global data, regional and sector reviews, and engagement case studies.

**8. 3rd Quarter Performance review as of September 30, 2019** – Sara Bernstein of Meketa reviewed 3<sup>rd</sup> quarter results for 2019 in which plan assets increased by 0.9% or \$10.47 million. The plan did outperform its policy benchmark during the period, with all asset classes beating their respective benchmark, except for international equities. Over the longer term, plan performance was above its benchmark for the 1-year, 3-year, 5-year, 10-year, and 20-year time periods.

**9. CS McKee Organization Update** – Staff updated the Retirement Board on the newly announced organizational changes at CS McKee, one of the Retirement System’s fixed income managers. On January 7, 2020, CS McKee announced that North Square Investments will

purchase a majority interest in CS McKee. The Retirement Board placed CS McKee on Watch status at the September 19, 2019 Retirement Board meeting following initial organizational changes. CS McKee will remain on watch status at this time.

**10. Annual Retirement Board Training Report** – Staff provided the Board with a summary of training hours and costs for the past 24 months.

**11. Disability Earnings Income Verifications for 2019** – Staff provided the Board an update on the status of 2019 income verifications and steps that will be taken in 2020 to confirm income from retirees living outside of California whose income cannot be confirmed by California Employment Development Department.

**12. Retirement System Staffing Change** – Staff provided an update on the action taken by the Board of Directors to add a position for retirement system administration. The Board requested staff to provide an update on the current staffing and work of the retirement administration in HR and Finance, including the work that will be done by the newly authorized Principal Management Analyst position.

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

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

None

### **ITEMS TO BE CALENDERED / UPCOMING ITEMS**

- Provide an organization chart of the staffing for Retirement Administration and information about the work of each staff member.
- Provide HRIS, Payroll, ETS, and Retirement project update and discussion
- Review of International Equities

**ADJOURNMENT** – Alex Coate moved to adjourn the meeting at 11:42 a.m. and Marguerite Young 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).

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President

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

3/19/2020