

MINUTES OF THE RETIREMENT BOARD

March 19, 2020

A regular meeting of the Retirement Board convened on Thursday, March 19, 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 (late), Doug Higashi, Tim McGowan, Frank Mellon (phone), Marguerite Young, and Lisa Ricketts (phone).

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

PUBLIC COMMENT

No public comment.

CONSENT CALENDAR

1-4. Consent Calendar – A motion to move the consent calendar was made by Marguerite Young and seconded by Frank Mellon. Tim McGowan had a question on Item 2 (Investment Transactions by Retirement Fund Managers) regarding the residual amounts for Western Asset. Marguerite Young made a motion to approve items 1, 3 & 4 and Frank Mellon seconded the motion. The motion carried (4-0) by the following voice vote: AYES (Higashi, McGowan, Mellon, Young), NOES (none), ABSTAIN (none), ABSENT (Coate). Regarding item 2, Robert Hannay provided the following information: the process of fully closing the accounts is taking longer than expected. Letters of instructions have been sent to Northern Trust and the residual amounts will eventually get swept to an open account. Tim McGowan made a motion to approve item #2 and Marguerite Young seconded the motion. The motion carried (4-0) by the following voice vote: AYES (Higashi, McGowan, Mellon, Young), NOES (none), ABSTAIN (none), ABSENT (Coate).

ACTION

5. Determine the Annual Retiree Cost of Living Adjustment (COLA) to be effective July 1, 2020 – Lisa Sorani provided an update regarding the COLA errors for 2014, 2015 and 2016. The correction will differ for each retiree, but will not affect those that retired after 2016. In accordance with the Retirement Ordinance, staff recommended a 3.0% retiree Cost of Living Adjustment effective July 1, 2020 and an additional 0.3% to retiree COLA banks as determined by the Retirement System's actuary, The Segal Company. Doug Higashi made the motion to adopt the recommendation, and Tim McGowan seconded the motion. The motion carried (4-0) by the following voice vote: AYES (Higashi, McGowan, Mellon, Young), NOES (none), ABSTAIN (none), ABSENT (Coate).

6. Approve Process for Custodian Search – Sophia Skoda provided an update on the process of the custodian search and staff is seeking approval on the process for final selection. The current custodian, Northern Trust, was originally retained in 1997. Staff is working with

Meketa on a custodian search and is in the process of developing a Request for Information with the plan to send out in April. Questions were raised about this being a non-essential project and to continue under the current agreement and delay the process until the state of emergency is over. Tim McGowan offered to participate in the process. Marguerite Young made the motion to adopt the process with participation from a member of the Retirement Board in the interview process, but to not initiate the process until the state of emergency is over and workflow has returned to normal. Tim McGowan seconded the motion. The motion carried (4-0) by the following voice vote: AYES (Higashi, McGowan, Mellon, Young), NOES (none), ABSTAIN (none), ABSENT (Coate).

INFORMATION

7. **4th Quarter Performance Review as of December 31, 2019** – Eric White from Meketa reviewed performance for the 4th quarter of 2019. The plan hit a quarter-end high water mark of \$1.94 billion, a return of 19.5% for 2019. Over the one-year period, US equities were up by 30.9%, international equities were up by 21.8%, covered calls were up 19.4%, fixed income was up 8.5%, and real estate was up 18.2%.

8. **International Equities: Strategies, Styles and Market Returns Update** – Eric White from Meketa provided a training on international equities. The training included an overview of the international equities asset class, the global equity asset class, the Retirement System current equity allocation, relative performance of active versus passive management, and core versus growth and value in international equities. At the end of the training, the Retirement Board indicated a desire to have an item on the May agenda to decide changes, if any, to the current allocation (global versus international/domestic) and to the mandate mix (passive versus active and growth versus value).

9. **Annual ESG Monitoring Report** – Sarah Bernstein from Meketa provided an overview of the first annual ESG survey of the Retirement System's investment managers. Responses were received from all managers. Overall, there was a wide range of responses but every manager surveyed appeared to have ESG incorporated in their current business practice to some degree.

10. **Review Staffing for East Bay Municipal Utility District Employees' Retirement System Administration** – Sophia Skoda provided an overview of the current staffing and duties for the Retirement System. In the future, staff will provide timely information on proposed changes to the Board. Two positions, one Principal Management Analyst and one Human Resource Analyst II, are actively being recruited. Staff will also evaluate time currently spent on the Retirement System that is tracked but not reimbursed by the District from the Retirement System. Staff will continue to monitor and evaluate staffing and staffing needs and will come back to the Board as needed.

11. **Annual Expense Tracking and Spending Plan** – Sophia Skoda provided an overview on an expense tracking and spending plan for the Retirement System that more completely captures overhead costs to ensure all costs are accurately tracked. Staff is developing an annual plan and will provide the Board with updates throughout the process.

12. Annual Health Insurance Benefit Survey – Staff surveyed 10 agencies in late 2019. Four of the ten agencies showed average increases in costs of 4.43% or \$46.38, six agencies experienced no increase in max payout and the largest increase was Contra Costa County at 6.1%.

13. Review of EBMUD Retirement System Upgrade Initiative – Lisa Sorani provided an overview of the upgrade to the Retirement System's tools. Currently, retirement system data is collected and tracked in tables; there is not a system. So far the project team has attended a PRISM conference which included presentations from other agencies regarding their system upgrades, conducted a request for information which included demonstrations of systems, and held discussions with peer agencies regarding their experiences. Staff is now in the business process review stage. The goal is to complete this phase by July and then publish the request for proposal.

REPORTS FROM THE RETIREMENT BOARD

14. Brief report on any course, workshop, or conference attended since the last Retirement Board meeting – Tim McGowan had planned on attending an investment seminar in April 2020 (sponsored by IFEBP, the International Federation Employee Benefit Plans), but the event was cancelled due to the COVID-19 pandemic.

ITEMS TO BE CALENDERED / UPCOMING ITEMS

- Parametric Performance Update
- Covered Calls Training
- Update on Retirement Board Election
- Update on Private Placements

ADJOURNMENT – Frank Mellon moved to adjourn the meeting at 12:02 p.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).

President

ATTEST: _____
Secretary

5/21/2020