



MEMORANDUM to the RETIREMENT BOARD

DATE	October 30, 2025
SUBJECT	2025 Semi-Annual Report to the AC Transit Board #2

SUMMARY

The Retirement Board of the AC Transit Employees' Retirement Plan continues to provide strong fiduciary oversight of the Retirement Plan to ensure its continued viability and to fulfill the promised retirement benefits to Participants, their survivors, and beneficiaries.

The Retirement Board provides the AC Transit Board with a bi-annual report on the status of the Retirement Plan. The second Semi-Annual Report each year focuses on developments in the calendar year to date.

DETAILS

Investment Returns Overview

The Retirement Board has selected a new Investment Consultant, Meketa, after a thorough Request for Proposal (RFP) process. The previous Investment Consultant, NEPC, which had been serving the Retirement Plan for over 12 years remains engaged to assist with regulatory reporting and auditing tasks but will be phased out by the end of the calendar year.

The Retirement Board receives and reviews reports on the performance of the Retirement Plan's invested assets from its Investment Consultant: monthly reports; quarterly in-depth reviews of overall, asset-class, and manager-specific performance; and quarterly investment manager due diligence reports.

The latest quarterly report, showing data as of June 30, 2025 and presented at the Retirement Board's August 28, 2025, meeting, shows continuing strong returns for Retirement Plan assets at 8.0% overall year-to-date, which is above the current assumed annual rate of return of 6.75%.

Mild returns on Domestic Equity (+5.0%), were boosted by strong returns on International (+23.0%), and Emerging Market (+18.6%) Equities (+11.9% overall), complemented by a positive return overall on Fixed Income (+4.5%) from Credit (+4.5%), and Private (+4.1%) Debt. Those positive returns were supplemented by positive returns on Private Equity (+5.3%) and a return to positive returns for Real Estate (+2.8%).

Investment Manager Updates

Restructuring the International Equity asset class saw the elimination of managers and the move to a simpler structure with an indexed fund, which will result in significantly lower fees for that asset class.

Actuarial Valuation

The annual Actuarial Valuation covering calendar year 2024 is being prepared by the Retirement Board actuary, Cheiron, and will be presented at the November 2025 Retirement Board meeting. It will recommend the Actuarially Determined District Contribution for 2026

Diversity, Equity, and Inclusion (DEI) and Environmental, Social, and Governance (ESG)

The Retirement Board continues to require current and prospective investment managers to provide DEI information when appearing in front of the Retirement Board, and the Board then questions them, where appropriate, about long-term trends and recent actions taken by each firm to address DEI.

Investment managers also often provide some ESG data in their presentations to the Retirement Board, which follows up with questions about that data and about implementation of the Board's June 26, 2023 proxy voting plan requiring investment managers to vote the Retirement Plan's domestic, publicly-traded, assets according to the ISS Guidelines for Public Funds, which began with the 2024 proxy-voting year.

Staffing Updates

Following the adoption of a new staffing plan in December 2023 by the Retirement Board, staff has worked with the District to implement those changes, including approving the updated classifications, updating budget documents, and recruiting for multiple positions.

Even though employment costs for Retirement Plan staff are borne by the Retirement Plan, multiple District processes were required to implement the changes before hiring could happen. As of October 31, 2025, some recruitments have been completed but one Analyst position remain vacant. Recruitment for that position is ongoing.

FURTHER INFORMATION

Please feel free to call me, Jeffrey Lewis, the Chair of the Retirement Board (510-463-3900), or Damien Charléty, the Executive Officer of the Retirement Plan (510-891-5494), if you would like to discuss any items in this report or request additional information on the operations of the Retirement Plan.