

Meeting Minutes of the AC TRANSIT RETIREMENT BOARD September 28, 2023

ROLL CALL

Chair Jeffrey Lewis called the meeting to order at 9:07 a.m.

Board Members

Present In Person

Chair Jeffrey Lewis, Vice-Chair Josette Moss, Robert Coleman, Chris Andrichak, Davis Riemer

Present Remotely via Zoom

(none)

Absent

(none)

Additional Participants

Present In Person

Russell Richeda, Legal Counsel; Damien Charléty, Retirement System Manager; Carolyn Smith, NEPC; Joel Young, District Board Liaison; Karen Umland, Dimensional Fund Advisors; Ted Simpson, Dimensional Fund Advisors; Anne Harper, Cheiron; Timothy Doyle, Cheiron

Present Remotely via Zoom

Joel Young, Retirement Board Liaison; Jason Herron, Retirement System Administrator; Bertina Ng, Retirement System Analyst; Cris Gille, Retirement System Associate Analyst; Gurman Kaur, Retirement System Staff; Gar Chung, FIN-News; Kevin Baload, With Intelligence, Jazzman Brown, Deonte Brown

PUBLIC COMMENTS

None

AB2449 COMPLIANCE

- A. Board Member(s) Intent/Request to Attend Meeting(s) Remotely
(None)

CONSENT CALENDAR

- B. Approval of Minutes from the August 24, 2023 Meeting
- C. Approval of Financials for July 2023
- D. Approval of Invoices in an amount of \$210,735.51
- E. Approval of Retirement Benefits (effective October 01, 2023, unless noted)
 - 1. Service
 - a. Balwinder Padda
 - b. Eric Pasch
 - 2. Term-Vested
(none)
 - 3. Conversion
(none)
 - 4. Pre-Retirement Deaths
(none)
- F. Approval of Return of Contributions
 - 1. For Eligible Participants (additional for March, May, and June 2023)

MOTION Riemer/Andrichak to approve the Consent Calendar.

Ayes *Lewis, Moss, Andrichak, Riemer, Coleman*

The Retirement Board recognized Balwinder Padda for 31 years of service, and Eric Pasch for 27 years of service.

REGULAR CALENDAR

G. Retirement Plan Portfolio and Investments

This item was taken out of order after Item J.

1. Dimensional Fund Advisors Presentation

Karen Umland and Ted Simpson from Dimensional Fund Advisors, LP (Dimensional) joined the meeting for the periodical performance review of the Retirement Plan investment in Dimensional's U.S. and International Small Cap funds.

Ted Simpson described Dimensional's systematic active approach which uses tools from quantitative analysis and indexing. Karen Umland discussed research findings and portfolio construction.

The Retirement Board asked questions about historical returns and recent trends on growth stocks versus value stocks, country weights in the international funds, and the effect of acquisitions in the U.S. market on the small cap market.

Karen Umland responded that Dimensional's research still leaned towards long-term returns for value investing and that the diversification of their portfolio helped offset short-term trends; that the country weights tended to be close to the benchmark, and that Dimensional's dividing line for value in the U.S. market was approximately the lowest third of the market on price-to-book ratio.

The Retirement Board further asked for a comparison of the company's personnel by gender today versus five years ago.

2. Liquidity Review

Investment Consultant Carolyn Smith, from NEPC, reviewed a table of the liquidity of the Retirement Plan's assets and noted that the real estate holdings are less liquid than usual because of the exit queues in those assets.

The Retirement Board requested an additional review of the liquidity of the bond funds.

Board Member Riemer asked about the cash flows from District contributions and benefit payments. Retirement System Manager Damien Charl  ty reported that the Retirement Board would be presented with a report on the Retirement Plan’s cash flows in the spring of 2024.

The Retirement Board discussed liquidity and private investment and whether the same forces that reduce volatility reporting on private investments had similar effects on the liquidity of plans that invest in them.

3. Investment Performance Review and Market Update

Investment Consultant Carolyn Smith, from NEPC, reviewed the Retirement Plan’s investments performance as of August 31, 2023 and highlighted slightly weaker markets overall for August, but that overall performance was still above 7% year-to-date.

The Retirement Board asked what was causing the negative returns in the Alidade Capital Fund. Carolyn Smith reported that Alidade had called for capital and already written down some of the early investments. The Retirement Board asked that Carolyn invite a member NEPC’s Real Estate team to provide an update at the next meeting about Alidade.

4. 2023 Calendar and Workplan

Investment Consultant Carolyn Smith, from NEPC, reported that the next meeting will include a presentation on Infrastructure Education.

[The Retirement Board took a brief break.]

H. Actuarial Information

1. Final Results of Experience Study for 2019-2022 Years.

This item was taken out of order after Item H2.

Actuaries Timothy Doyle and Anne Harper, from Cheiron, presented the Quadrennial Experience Study. Anne Harper reported that only minor adjustments to the future mortality improvement assumptions and retirement rates were recommended.

Retirement System Manager Damien Charl  ty reported that there was a brief discussion at the most recent AC Transit District Board meeting about retirement rates and that this updated experience study information would be provided to the District to inform their decisions-making.

2. Final Results of Actuarial Valuation as of January 1, 2023

This item was taken out of order before Item H1.

Timothy Doyle reviewed the Annual Actuarial Valuation, noting no notable changes to the data from the preliminary report presented at the previous Retirement Board meeting.

MOTION Andrichak/Moss to accept the Actuarial Experience Report and Valuation report and adopt the Contribution Rate.

Ayes Lewis, Moss, Andrichak, Riemer, Coleman

[The Retirement Board took a brief break.]

I. Updates, Reports and Actions on Previous Retirement Board Items

1. Retirement System Manager Damien Charléty reported on the progress regarding the returns of contributions, the Retirement Board recommended possible next steps for terminated participants that staff are unable to contact. Retirement Board Vice-Chair Josette Moss asked why staff could not return funds faster without the Retirement Board's approval, which the Retirement Board discussed.

MOTION Riemer/Coleman to delegate to staff the refund of employee contributions without Retirement Board approval and report to the Retirement Board later; and to adopt a monthly rather than quarterly system for return of contributions.

Ayes Lewis, Moss, Andrichak, Riemer, Coleman

2. Retirement System Manager Damien Charléty reported on the progress regarding holdbacks and that one additional release was in the Retirement Board Packet for review and approval.

MOTION Riemer/Moss to approve the release of the total amount held back from Clayton Beales' monthly Pension benefit.

Ayes Lewis, Moss, Andrichak, Riemer, Coleman

3. Pensionable Earnings Codes

No Update

4. Plan Document/Restatement

Moved to October Retirement Board Meeting.

5. Terminated Vested vs. Service Retirement Memo

No Update

6. Diversity, Equity, and Inclusion (DEI) Data from Investment Managers

Retirement System Manager Damien Charléty reported that Dimensional Fund Advisors, LP provided Diversity, Equity, and Inclusion data which was included in the agenda packet.

7. Summary of the Plan for Retirement Board Member Education

No update

J. Consider Request by Deonte Brown on Retirement Benefits and Pre-Death Survivor
This item was taken out of order before Item G.

Ms. Jazzman Brown and Mr. Deonte Brown joined the meeting and described the circumstances surrounding Participant David Brown's sudden passing and requested that the Retirement Board review whether he should have been granted a service retirement prior to his death. Retirement Board Counsel Russ Richeda gave an overview of the memorandum from staff highlighting that the Power of Attorney provided was not valid based on the opinion from a physician that David Brown lacked capacity at the time.

The Retirement Board discussed what other information would be required to validate the Power of Attorney and for staff to continue working with Mr. and Mrs. Brown before bringing back the item for consideration by the Retirement Board.

K. Review and Approve Form of Benefit Statement Template

Retirement System Manager Damien Charléty provided a copy of the benefits statement previously used as an addition to the agenda packet. The Retirement Board discussed the proposed changes, made a few additional recommendations, including regarding vesting and a request for clarification on which part time hours were applicable, and asked that an updated version reflecting those changes be presented at the October Retirement Board meeting.

CLOSED SESSION

L. Matters Relating to Personnel

1. Disability Applicants' and Disability Retiree's Medical Records

a. Total and Permanent Disability

Theresa Harrison

Stacia Johnson

b. Occupational Disability

Heather Denham

c. Appeal of Denial-of-Service Retirement

(none)

M. Matters Relating to Pending or Threatened Litigation

2. Ares Capital Europe VI Document Review and Update and Next Steps

a. Briefing Memorandum Legal Consultant

RESUME OPEN SESSION

N. Report and/or Action on Closed Session Items

Retirement Board Counsel Russel Richeda reported out of Closed Session that, with respect to item L1a, the Retirement Board unanimously granted the Participant's Total and Permanent Disability Retirement Benefit application, with an effective retirement date of April 01, 2023.

Retirement Board Counsel Russel Richeda also reported out of Closed Session that, with Respect to item M2, the Retirement Board unanimously decided to make the investment in Ares Capital Europe VI, subject to the satisfactory completion of the side letter and authorized the Retirement System Manager to sign any required documents to complete the transaction.

CLOSED SESSION

O. Evaluation and Consideration of Compensation Adjustment

RESUME OPEN SESSION

P. Report and/or Action on Closed Session Items

Retirement Board Counsel Russel Richeda reported out of Closed Session that with respect to Item O1, the Retirement Board evaluated the Retirement System Manager and approved a written form of evaluation which was provided to the Retirement System Manager and that items labelled in this meeting's agenda as O2, O3, and O4 will appear on the October Retirement Board meeting agenda to complete the process.

ADJOURNMENT

The meeting was adjourned at 2:00 p.m.