

**Approved Minutes
Meeting of the
AC TRANSIT RETIREMENT BOARD
November 12, 2020**

ROLL CALL

Chair Jeffrey Lewis called the meeting to order at 10:07 a.m.

Members Present: None

Present by Zoom: Chair Jeffrey Lewis, Vice Chair Yvonne Williams, Davis Riemer, Joyce Willis, Claudia Allen

Members Absent: None

Also present by Zoom: Hugo Wildmann, Retirement System Manager; Jason Herron, Retirement System Administrator; Russell Richeda, Legal Counsel; H.E. Christian Peeples, District Board Liaison; Bertina Ng, Retirement System Analyst; Curtis Lim, Temporary Retirement Staff. The following attendees attended Open Session, but left the meeting for Closed Session: Chris Marten, Temporary Retirement Staff; Carolyn Smith, NEPC; Ralph Martini, Controller; Chris Andrichak, Deputy Chief Financial Officer

PUBLIC COMMENTS

None

CONSENT CALENDAR

- A. Minutes for the October 7th Meeting
- B. Minutes for the October 7th Joint Meeting
- C. Financials for June 2020
- D. Invoices for \$502,022.14
- E. Approval of Retirements for November and December 2020 and return of contributions:
 - 1. Jodi Singleton (November)
 - 2. Mubarak Ahmad (December)
 - 3. Johnny Bracy (December)

MOTION: Williams/Allen to approve the consent calendar (5-0-0-0)

The Board recognized Mubarak Ahmad for 26 years of service.

REGULAR CALENDAR

F. Report on District Elections

Hugo briefly reviewed the agenda for the meeting and the timing of presenters and invited Director Peeples to discuss the results of the recent election. Director Peeples reported on the two new members of the District Board, Jean Walsh and Jovanka Beckles. The Board discussed the two new District Board members that were elected as well as the plan for Claudia's retirement and the transfer of her Retirement Board responsibilities to Chris Andrichak.

G. Policy on Conversion to Service Retirement

Hugo reminded the Board that at its last meeting the Board acted on a single retiree converting to a service retirement and instructed staff to return with a draft policy regarding the effective date of a conversion in cases where the conversion would lead to an increase or decrease in a Retirement Benefit. Hugo presented details of the policy documented in the memo, and the Board discussed logistics of the communications to be sent to retirees eligible for conversion. The Board expressed concerns about the possibility of participants passing away before electing a beneficiary. The Board instructed staff to return with draft letters for a possible increase and decrease to the Benefit as well as the policy for the Board to review at its next meeting.

H. Update on COVID-19

Hugo introduced new temporary employee Christopher Marten, who will be filling in for Jason while he's on paternity leave. Hugo reported that things continue to go well in the department while everyone is working from home, and that some activities just take longer to do than when working in the office. Director Peeples reported that ridership is growing, which is starting to cause some issues with social distancing on the bus. Claudia reported that sales tax receipts are slightly higher than forecasted and that this year's budget should be balanced, although there is still uncertainty for next year.

I. Joint Meeting Review

The Board discussed how smoothly the Joint Meeting went last month. Hugo reported that he would be preparing some orientation materials for the new District Board members. Director Peeples recommended that Hugo reach out to General Manager Hursh to get on the new District Board member orientation schedule.

J. Paratransit and Service Time

Yvonne reported that the Union's statement would be ready for next month's meeting so that discussion of the matter could be completed while she and Joyce are still on the Board.

K. Retirement System Manager Report

Hugo confirmed with Joyce that the primary results in the Union election would be known on November 17th, and that, if there were a runoff, that would be completed by December 20th. Hugo noted that he and Russ would spend time with new Board members in January. He also noted that there has been a recent increase in media information requests from the Plan. Hugo noted that staff and Russ continue to make progress on the Plan restatement. The Board requested a timeline of next steps for the Plan restatement for the next meeting.

L. PEPRA Implementation

Hugo reported that staff have returned some contributions to employees who have left the District before they were vested, and that we're currently waiting for the District and General Counsel to draft a PEPRA plan amendment for represented employees.

The Board took a brief break.

M. Actuarial Analysis of Total and Permanent Disability Standard

Hugo reminded the Board, that it had previously discussed the Total and Permanent Disability standard, and Russ presented a memo with some standards from other plans. He noted that a Plan provision allows the Board to make recommendations to the District Board and bargaining parties to amend the Plan. At the last meeting the Board requested an analysis of possible cost changes if the standard were changed. The Board discussed the difficulties it has encountered administering the current standard.

Graham presented an analysis of what the cost would be to the Plan if more Total and Permanent disabilities were granted. His analysis included how PEPRA members' behavior might change with a change to the standard. Graham reviewed current assumptions for disabilities and tested scenarios in which all disabilities were T&P, if 25% of service retirements were Total and Permanent Disabilities and if the higher rates of disability applied more often at higher ages between 55 and 64. Graham's analysis concluded that the scenarios tested cost the Plan between \$0.5 million and \$1.5 million. The Board discussed the possible effects of those amounts might have on the Plan and the District and noted that it would be difficult to make a recommendation to the District Board that would increase the District contribution during these times. The Board agreed that no recommendation on this issue would be made to the District Board at this time.

N. Preliminary Retirement Board Meeting Dates for 2021

Hugo reported that Russ might have a conflict with a few dates. Russ reported that the Board should schedule its meeting on the third Thursday, and the meeting schedule could be altered as necessary. The Board decided to schedule all meetings for the third Thursday in 2021.

O. Investment Performance, Rebalancing and Asset Allocation

Hugo noted that there were no outside presenters for the meeting, and that re-balancing continues. Carolyn began reporting on the Flash report. The Fund was down about 1% for October. November returns have been strong. Carolyn noted that Year to Date the fund is up a little less than 1%. Carolyn reported some underperformance in international equities but some stronger performance in emerging markets. In reporting private debt and real estate performance, Carolyn noted that NEPC is improving its process for gathering that data and may be able to improve the reporting lag times.

P. Annual Fee Review – AB 2833

Carolyn reminded the Board that Assembly Bill 2833 requires public pension plans to collect and report expense detail on alternative investments. She noted that the law somewhat ambiguously includes private equity funds and venture funds, but in an abundance of caution the Board has decided to include real estate and private debt. Carolyn also reminded the Board that the fees and expenses are often paid on actual investments rather than just commitments. The Board discussed the report.

The Board took a brief break

Q. Quarterly Investment Performance Report

Carolyn began reviewing her Quarterly Report, noting mostly positive results across relevant indices. She reported strong results in the Russell 3000, especially technologies, but also reported lagging results in the energy sector. The Board discussed the contribution of renewables to the energy sector. Carolyn continued her report by discussing real assets, noting that real estate values are down, but decreased transactions are suppressing the flow of information and pricing changes. She thinks that there will be additional write-downs later, but it's still too soon to know where real estate prices will land.

Carolyn continued to the due diligence monitor, reporting that the CIO at Loomis, Sayles would be retiring, but NEPC was not recommending any action as a result of that change. She also reported about an ownership change at Crescent. NEPC is comfortable with the new owner, Sun Life, and how they manage new acquisitions. The investment team is under contract through the life of our current investment. Crescent will ask holders to approve the

management change, and Carolyn recommends that the Board have those documents reviewed when they are distributed.

Carolyn reviewed returns versus the policy and allocation index as well as versus other public funds. The slight overweight in large cap equity led to improved performance, and International equity also slightly outperformed for the quarter. While discussing private debt performance, Carolyn noted that there had been some write-downs that were affecting performance. She noted that for real estate not all the necessary write-downs are baked in and some will get worse. Carolyn reported that the Plan results are slipping below the median versus peers because of the chosen asset allocations. The Plan's holdings of fixed income are much higher and more conservative than the peer group. The Plan's alternative investment holdings are much lower than the peer universe. The Board discussed its relative risk versus peers, noting that its holdings are slightly under the median risk and slightly lower than median risk.

The Board discussed equity returns in different global markets and NEPC's expectations for global regions.

R. ESG Update

Hugo recommended that the Board and its new members move ESG discussions until late next year when the new board members have had a few months on the board.

S. NEPC Workplan and Priorities for 2021

Hugo reported that Capital Group and City of London investment managers would present next month. Carolyn reported that with new Board members next year, asset allocation should be a primary focus in the early part of the year. She also recommended that real estate investment pacing also be an early consideration. The Board discussed the importance of asset allocation, diversification and a long-term investment perspective as important items in the new Board member orientation plan.

T. Benefits Statement Update

Hugo reported that the letters and envelopes have come in and are to be distributed among staff to be stuffed before being mailed out. He discussed one additional benefit statement, which has a disclaimer noting that a plan amendment may change their treatment according to PEPPA for employees who have changed representation.

U. Holdback Project Memo

Hugo discussed the updated memo noting that Russ had found a legal coordinator that was helping to gather additional information and divorce documents relevant to funds currently being held back by the Plan.

V. Closed Session

The Board went into Closed Session. The Board took no action in Closed Session.

W. Adjournment

The meeting was adjourned at 1:07