



ALAMEDA-CONTRA COSTA TRANSIT DISTRICT

MINUTES

Joint Meeting of the AC Transit Board of Directors & Retirement Board

VIRTUAL MEETING

Wednesday, October 19, 2022 at 1:00 PM

<https://bit.ly/3MW4Lrp>

MEMBERS OF THE BOARD OF DIRECTORS

ELSA ORTIZ, PRESIDENT (WARD 3)

JOEL YOUNG, VICE PRESIDENT (AT-LARGE)

JOVANKA BECKLES (WARD 1)

JEAN WALSH (WARD 2)

MURPHY MCCALLEY (WARD 4)

DIANE SHAW (WARD 5)

H. E. CHRISTIAN PEEPLES (AT-LARGE)

MEMBERS OF THE RETIREMENT BOARD

JEFFREY LEWIS, CHAIR

JOSETTE MOSS, VICE CHAIR

DAVIS H. RIEMER, TRUSTEE

ROBERT COLEMAN, TRUSTEE

CHRIS ANDRICHAK, TRUSTEE

BOARD OFFICERS

MICHAEL A. HURSH, GENERAL MANAGER

JILL A. SPRAGUE, GENERAL COUNSEL

LINDA A. NEMEROFF, DISTRICT SECRETARY

RETIREMENT DEPARTMENT

HUGO WILDMANN, RETIREMENT SYSTEM MANAGER

1. CALL TO ORDER

The annual joint meeting of the AC Transit Board of Directors and Retirement Board was held on Wednesday, October 19, 2022, with President Ortiz and Chair Lewis presiding. The meeting was called to order at 1:01 p.m.

2. ROLL CALL/INTRODUCTION OF PARTICIPANTS

AC Transit Board of Directors:

PRESENT: Ortiz, Shaw, Beckles (arrived at 1:04 p.m. and left the meeting at 1:25 p.m.), Walsh, Williams, Peeples

ABSENT: Young

Retirement Board Trustees:

PRESENT: Lewis, Moss, Riemer, Coleman, Andrichak

Chair Lewis thanked Director Ortiz for her service on the District Board and for her input over the years on Retirement issues.

3. PUBLIC COMMENT

There was no public comment offered.

4. DISCUSSION ITEM(S)

4.A. History of the AC Transit Retirement System and Proposition 162.

[22-445](#)

- 1) Proposition 162
- 2) Retirement Board members and how they are appointed
- 3) Roles and responsibilities of the Retirement Board and the District

Presenters: Russ Richeda, Counsel for the Retirement Board
Jill Sprague, AC Transit General Counsel

Retirement Board Attorney Russ Richeda gave a brief overview of the Retirement Board's plenary authority under the California Pension Protection Act (Proposition 162), including its role, responsibilities, functions, and membership. He added that the Retirement Board understood the need for, and importance of, each entity maintaining its independence as well as coordination with the District Board. Mr. Richeda also discussed the nuances of the relationship between the District and Retirement Board in terms of amending the Retirement Plan, actuarial issues and legal issues.

Public Comment:

There was no public comment offered.

Discussion:

Mr. Richeda addressed questions regarding the process of amending the retirement

plan as well as questions about the composition of the Retirement Board and membership terms.

The item was presented for information only.

4.B. Actuarial. [22-446](#)

- 1) Actuarial overview
- 2) District contribution and the funded ratio of the Plan
- 3) Possible future impact of 2022 investment performance

Presenter: Graham Schmidt, Cheiron

The Retirement Board's actuary, Graham Schmidt of Cheiron, presented information on the current actuarial valuation; plan costs by source and benefit; history of plan cost and funding; future of plan liabilities; funding; cost; and future impact of 2022 investment performance. Mr. Schmidt's presentation included projections on the District's contribution and the funding ratio going forward. These projections included scenarios where investment returns were down substantially in 2022. It was also noted that if all the actuarial projections were met, the District's contribution as a percentage of pay would decrease in future years and the funded ratio of the Plan would continue to increase.

Public Comment:

There was no public comment offered.

Discussion:

President Ortiz inquired about the impact of a maturing plan population (number of active retirees). Mr. Schmidt reported that the number of retirees is expected to grow over the next five years. Director Walsh inquired about unfunded liability and inactive participants.

The item was presented for information only.

4.C. Investments. [22-447](#)

- 1) Investment overview
- 2) How the investment portfolio is structured
- 3) Why the retirement plan owns stocks
- 4) Historical investment performance
- 5) Current portfolio update
- 6) Update on the Retirement Board's discussions in 2022 pertaining to:
 - b) ESG (Environmental, Social, Governance)
 - a) Possible Private Equity investment

Presenters: Carolyn Smith, NEPC
Hugo Wildmann, Retirement System Manager

Carolyn Smith, NEPC, gave the presentation which covered how the Board makes diversified investment decisions that yield the desired rate of return, how public funds make investments, AC Transit's asset allocation, return history, retirement fund performance, and projected performance and risk.

Public Comment:

There was no public Comment offered.

Discussion:

Ms. Smith presented information on ESG (Environmental, Social & Governance) and advised that the Retirement Board has had a focus on Governance piece for several years with respect to inclusion of women and minorities in management at companies that manage funds for the retirement system. Investment managers are asked to report on the make-up their employee population, saying that the Retirement Board started looking holistically at ESG in 2016. Ms. Smith further pointed out that there is no global ESG rating standard and because ESG varies from one firm to the next, NEPC developed its own standards to quantify what the various firms are doing. Ms. Smith then provided a breakdown of the District's investments with respect to NEPC's ESG ratings. Ms. Smith addressed questions regarding the ESG rating process and investment categories as well as the impact of ESG on investment performance and its balance with respect to the Retirement Board's fiduciary responsibility.

The item was presented for information only.

4.D. Verbal Update on PEPR Implementation.

[22-448](#)

Presenters: Hugo Wildmann, Retirement System Manager
Jill Sprague, AC Transit General Counsel

Retirement System Manager Hugo Wildmann reported on the level of coordination that was required between the Retirement Department and numerous District Departments to achieve a successful implementation. Mr. Wildmann added that while employee contributions under PEPR reduce the District contribution, they made the administration of the plan more complex. General Counsel Jill Sprague commented there was nothing new to report with respect to PEPR litigation. General Manager Michael Hursh recognized the efforts of the Payroll Department in implementing a two-tiered system.

Public Comment:

There was no public Comment offered.

Discussion:

Members of both Board's acknowledged the efforts of staff to implement the legislation that created a two-tier retirement system.

The item was presented for information only.

4.E. Verbal Update Retirement Department Staffing.

[22-450](#)

Presenter: Hugo Wildmann, Retirement System Manager

Retirement System Manager Hugo Wildmann commented on his upcoming retirement and the process and activities underway to find his successor. A status of existing staffing levels was also provided.

Public Comment:

There was no public comment offered.

Discussion:

Members of both Board's expressed appreciation to Mr. Wildmann for his steady leadership as the head of the Retirement Department.

The item was presented for information only.

5. BOARD/STAFF COMMENTS

(Government Code Section 54954.2)

Mr. Wildmann thanked and acknowledged the General Manager, General Counsel and District Secretary for fostering a positive working relationship with the Retirement Department and Board over the years.

6. ADJOURNMENT

There being no further business to come before the members of the joint body, the meeting adjourned at 2:50 p.m.

Respectfully submitted,

/s/

Linda A. Nemeroff
District Secretary