Approved Minutes
Meeting of the
AC TRANSIT RETIREMENT BOARD
June 8, 2021

ROLL CALL

Chair Jeffrey Lewis called the meeting to order at 2:40 p.m.

Members Present:	None
Present by Zoom:	Chair Jeffrey Lewis, Vice Chair Josette Moss, Davis Riemer, Robert Coleman, Chris Andrichak
Members Absent:	None

Also present by Zoom: Hugo Wildmann, Retirement System Manager; Russell Richeda, Legal Counsel; H.E. Christian Peeples, District Board Liaison; Jason Herron, Retirement System Administrator; Bertina Ng, Retirement System Analyst; Curtis Lim, Temporary Retirement Staff; Christopher Marten, Temporary Retirement Staff. The following attendees attended all or part of Open Session: Mike Hursh, General Manager; Jill Sprague, District General Counsel; Graham Schmidt, Cheiron, Ralph Martini, Controller

PUBLIC COMMENTS

None

CONSENT CALENDAR

A. Approval of Minutes for the May 20th Meeting

B. Approval of Retirements for March and June 2021 and Return of Contributions if Applicable:

1. LaJuana Clark (March, Term Vested)
2. Manuel Gonzalez (June)
3. Michelle Dungeon (June, Term Vested)
4. Bernie Flores Jr. (June, Term Vested)
5. Andrea Bednarova (Return of Contributions)

MOTION: Riemer/Andrichak to approve the Consent Calendar. (5-0-0-0).

The Board recognized Manuel Gonzales for 41 years of service.

REGULAR CALENDAR

C. Update on COVID-19 – Department Staffing and District Activity

Hugo reported to the Board that he is working with HR to schedule panel interviews to hire the Associate Retirement System Analyst. Hugo announced to the Board that Christopher Marten's work within the Retirement team will conclude this week, as he has accepted other full-time employment. Mike Hursh notified the Board that the District will find out its next federal allocation at the July 23rd MTC meeting. The District has relaxed social distancing rules on the buses; from six to three feet, effective Monday, June 7th. Mike noted that the District has sent four to five buses to VTA to cover service throughout this week due to the tragic incident. The District has also sent a critical incidents support team, which was very well received by VTA. The VTA recognized the District's incidents support team as a standard for best practices. Mike informed the Board that the District's Board meetings will continue to be virtual as the Governor has extended the relaxing of the Brown Act rules.

D. 2021 Actuarial Valuation Assumed Rate of Return, Discount Rate and Inflation Assumption

Hugo reminded the Board that much of what would be discussed in this part of the meeting was discussed last month and that the General Manager and Vice-Chair Moss were not at that meeting. He continued that the $200 million projection for the pensionable payroll for Fiscal Year 21/22 had been revised to $190 million after discussion with Finance staff, reducing the projected contribution.

Graham presented an update to the preliminary Actuarial Valuation results from last month. Graham noted that expected returns from investment consultants have declined substantially based on changes in market conditions since 2020. The Plan's current return assumption is 7% net of investment expenses, an inflation assumption of 2.75%, which assumes that the Plan will earn a real rate of return of about 4.25% over the long term (30 years).

The Board considered a reduction in the discount rate from 7% to 6.75%, which would reduce the real rate of return from 4.25% to 4.0%, leaving the inflation assumption at 2.75% and payroll and wage growth at 3%.

Other revisions to the valuation were associated with a reduction in the projected fiscal year District payroll from $200 million to $190 million. Graham noted the Employer Contribution with the assumed rate of return remaining at 7.0% would increase to $61.59 million versus $64.50 million with an assumed rate of return of 6.75%. The Actuarially Determined Contribution rate as a percent of pay would be 32.41% and 33.95% (7.0% and 6.75% respectively). Graham reported that the Funded Ratio improved from 70.9% to 74.5% on an Actuarial Value of Assets and from 73.1% to 79.2% on a Market Value of Assets at a 7.0% assumed rate of return. At a 6.75% assume rate of return, the funded ratiowould be 72.7% on actuarial assets and 77.2% on a market value basis.

Graham discussed the option to elect an unfunded actuarial liability (UAL) 3-year phase-in of the additional contribution that would reduce the employer cost to $63.3 million versus $64.5 million and an ADC rate, as a percent of pay, of 32.3%. This assumes an immediate reduction to 6.75%, with at 3-year UAL phase-in on $26.4 million on the increased unfunded actuarial liability. The UAL of $26.4 million would be amortized, as any other unfunded liability, over a 20-year period. Graham noted that phasing in the cost is consistent with actuarial standards of practice.

Chair Lewis asked the General Manager for his thoughts on phasing in the increase in the District's contribution. The General Manager responded that given the current financial uncertainties, he preferred phasing in the increase.

Graham concluded that it is more consistent with return expectations to reduce the discount rate to 6.75%, with inflation an assumption at 2.75% and payroll and wage growth at 3%.

The Board was in favor of reducing the discount rate 6.75% with a 3-year Unfunded Actuarial Liability phase-in. Hugo reminded the Board that this phase-in would increase the District's payment for 20 years and that he was in favor of this approach.

The Board discussed the assumed rate of return and inflation assumption and appeared inclined to reduce the assumed rate of return from 7.0% to 6.75%.

Graham was instructed by the Board to finalize the Actuarial Valuation report and to present the completed version to the Board at the July or August meeting, at which time the Board will consider adoption of the Actuarial Valuation.

The Board decided to review Graham's presentation and the legal opinion on pooling together and take all its actions together later in the meeting.

E. Pooling or Non-Pooling of Employee Contribution Rates for PEPRA

Hugo introduced the topic, summarizing the Board's discussion from last month's meeting in which the Board considered whether all PEPRA employees who make contributions should have one contribution rate; currently, the only PEPRA Participants are Unrepresented employees hired after 1/1/16. Hugo added that he is confident that the District Board will pass a Plan amendment in the upcoming fiscal year in which all represented employees will start making contributions. The question is should there be one rate for all PEPRA participants or individual rates by union. Russ composed a memo on this topic and presented his conclusion to the Board.

Russ informed the Board pooling versus non-pooling depends on PEPRA and the language in the Statute. The main statutory provision contains a few words that are relevant,: normal cost rate for the "plan of benefits provided to the new member". The "plan of benefits" refers to pensionable compensation, eligibility rules and the service retirement formula. PEPRA sets forth all those at the same rate for ATU, AFSCME, IBEW, and Unrepresented PEPRA employees. Russ noted that there is a slight difference in vesting for a Total and Permanent Disability for ATU and other employees. Russ concluded that there is one plan of benefits for all PEPRA employees at AC Transit and, if there is one plan of benefits, then the statutory language and PEPRA compels the conclusion that there should = be one employee contribution rate for all AC Transit PEPRA employees. This means "pooling" when computing the PEPRA contribution rate.

The Board discussed whether there was one plan of benefits for PEPRA employees, as Russ stated, or variations in the plan of PEPRA benefits for different groups. The Board concluded that the benefit formula is the same for all PEPRA employees. Russ stated that Service retirement formula is set by PEPRA as one plan and benefits. Even if we look at other benefits for PEPRA employees, such as disability benefits, the difference is so minor that he concludes there is one plan of benefits. After some discussion, the Board agreed with the conclusion of Russ's memo that pooling was required.

F. Setting of Employee Contribution Rate for PEPRA Employees

Graham addressed the issue of setting the Normal Cost for fiscal year 21/22 for PEPRA employees and the resulting employee contribution. He reminded the Board that the PEPRA Normal Cost was originally set at 11.64% of payroll and that if this rate increased by more than 1.0% (to 12.64%), the employee contribution would increase from 5.75% to

6.25%. Graham reviewed page 7 of his presentation. The Normal Cost rate (pooled) is 12.73%, crossing that 1% threshold, which means the 2021 employee contribution rate would increase from 5.75% to 6.25%, with the District contribution increasing to 6.48% for these employees.

MOTION: Andrichak/Riemer to reduce the Plans discount rate to 6.75% and phase in the UAL over 3 years. (5-0-0-0).

MOTION: Riemer/Coleman to follow Counsel's recommendation to treat all benefits for all the different groups under the Plan as a single plan of benefits and have one contribution rate for all PEPRA employees. (5-0-0-0).

MOTION: Riemer/Andrichak to set the employee contribution rate for 2021employee contribution rate to 6.25%. (5-0-0-0).

Mike Hursh and Jill Sprague left the meeting at this point.

G. GASB 67/68 Report as of 12/31/20

Graham informed the Board that GASB 67/68 is of less significance than the Actuarial Valuation. The results do go in the financial statements; however, it is more important from the District's perspective because the implementation of these standards impact the unfunded liability on the District's Financials. Graham noted that when he presents the final valuation report in the coming months, the pension liability numbers will be higher than the current numbers because they will reflect the lower discount rate of 6.75%.

MOTION to Accept: Riemer/Andrichak to accept the GASB report. (5-0-0-0).

H. Next Board Meeting and the Brown Act

Hugo informed the Board that although the State reopened on June 15, the Governor extended the Brown Act liberalization for the emergency part of the declaration, which allows the Board meetings to continue to be held virtually. Hugo added that when this declaration changes, the Governor will provide sufficient time for governing bodies to enact a change in how meetings are held. Hugo suggested that the Board should follow the District's lead in returning to in person meetings.

I. June 28th Board Meeting at 10:00 a.m.

The Board confirmed that the next meeting will be scheduled for June 28th 10am – 2:30 pm.

J. (CLOSED SESSION)

K. Resume Open Session

Russ reported out of Closed Session that the Board took no action.

Adjournment 3:57 p.m.