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## MEMORANDUM to the AC TRANSIT BOARD

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**DATE** April 30, 2026  
**SUBJECT** 2026 Semi-Annual Report #1 to the AC Transit District Board

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### SUMMARY

The Retirement Board of the AC Transit Employees' Retirement Plan (ACTERP) provides the AC Transit Board with semi-annual reports on the status of the Retirement Plan. The first semi-annual report each year focuses on developments in the second half of the previous calendar year, including investment results and actuarial reports.

### DETAILS

#### 2025 Investment Results

The current actuarially assumed rate of return for the Retirement Plan was reduced in 2021 from 7.00% to 6.75%. Annual review of the asset allocation with the Retirement Board's investment consultant targets a mix of investments, diversified across asset classes, which produce a risk-adjusted rate of return consistent over the long term with the assumed rate of return. In some years, returns will exceed that assumption, but in other years they will not do so.

[In September 2025, the Retirement Board hired a new Investment Consultant, Meketa, as a result of a thorough Request for Proposals (RFP) process.]

As presented by the Retirement Plan's new Investment Consultant, Meketa at the Retirement Board's February 25, 2026 meeting, calendar year 2025 saw continued excellent returns for Retirement Plan invested assets, at +16.3% overall, substantially in excess of the Retirement Plan's actuarial valuation assumption; bringing the annualized 3-year return to 13.0%.

Strong returns on Equities (+23.8%), including Domestic (+14.9%), and especially International (+34.3%), were complemented with a strong positive return overall on Fixed Income (+8.5%) driven by Credit (+9.0%), while Core (+7.4%) and Private Debt (+7.1%) returns were more modest but still very strong. (Credit Fixed Income allocations invest in a larger breadth of government, corporate, and municipal bonds when compared to Core Fixed Income allocations and therefore may have higher returns in some years, as they did in 2025). Those positive returns were enhanced by a return to positive performance in Real Estate (+5.0%), while returns on Private Equity were again positive in the second year of measured performance (+15.8%).

In 2026, the Retirement Plan will conduct its next asset/liability study and resulting review of its asset allocation, along with a full review of its Investment Policy Statement.

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

The Retirement Board continues to request prospective investment managers to provide DEI information when being interviewed for new mandates. The Retirement Board considers investment managers' DEI information, along with characteristics of the firm, investment strategy, approach, resources, sector allocation, and other criteria, as part of the evaluation when deciding to allocate Retirement Plan assets.

The Retirement Board also continues to require its current investment managers to share DEI information, at least annually.

In 2025, the Retirement Board continued to require its Domestic Equity active manager (Dodge & Cox) and passive index funds (State Street, BlackRock), to cast proxy votes according to Institutional Shareholder Services (ISS) Public Plan Guidelines which seek to apply DEI principles. The ISS Public Plan Guidelines can be provided to District Board members on request.

### Actuarial Valuation

The Retirement Board Actuary, Cheiron, conducted an annual Actuarial Valuation covering calendar year 2025 and presented at the Retirement Board's November 21, 2025 meeting. It revealed a 1.68% increase in the Actuarially Determined District Contribution for 2026 (\$74.0 million versus \$72.8 million for 2025).

However, the sharp increase in market value of the Retirement Plan's assets in 2024 (+16.3%) was reflected in a Funded Ratio based on the Market Value of Assets, increasing from 73.6% to 78.0%, while the Actuarial Value of Assets Funded Ratio also increased from 78.1% to 79.8%.

[At its February 25, 2026 meeting, the Retirement Board considered, at the request of the District, and approved, an actuarial adjustment to the payment schedule to smooth the projected District contributions over the next three years. Based on an analysis by the Retirement Board's Actuary, Cheiron, this action is projected to lower the amount of the District's contributions by approximately 15 million in 2027.]

### **FURTHER INFORMATION**

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