

**Approved Minutes
Meeting of the
AC TRANSIT RETIREMENT BOARD
October 6, 2021**

ROLL CALL

Chair Jeffrey Lewis called the meeting to order at 9:19 a.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; Jason Herron, Retirement System Administrator; Bertina Ng, Retirement System Analyst; Curtis Lim, Temporary Retirement Staff; Cris Gille Retirement System Associate Analyst. The following attendees attended all or part of Open Session: Christian Peeples, District Board Liaison; Carolyn Smith, NEPC; Seth Goldman, NEPC; Michael Hursh, General Manager; Jill Sprague, General Counsel; Gar Chung, Financial News; Matt Casuyun; Saheem Munir

AGENDA ITEMS

1. Review and Acceptance of Legal Counsel's Memorandum re AB 361

Russ presented his memo about the details of AB 361, noting that as long as the Board makes a finding and determination about the safety of meeting in person every 30 calendar days, it can continue to hold remote meetings; additionally, since Board meetings are not necessarily every 30 days, special meetings would occasionally need to be held to make a finding and determination about safety and virtual meetings. He noted that, as long as the AC Transit Board continues to meet remotely, that will be a helpful indicator as to what the retirement Board should do in terms of remote meetings.

2. Adoption of Resolution Making Findings and Determination re Virtual Meetings

MOTION: Riemer/Moss to adopt the resolution of Making Findings and Determination re Virtual Meetings (5-0-0-0)

Hugo outlined the schedule for the rest of the meeting, including when the General Manager and Legal Counsel would be joining for the discussion about the PEPRA amendment.

PUBLIC COMMENTS

None

CONSENT CALENDAR

- A. Approval of Minutes for the September 15th Meeting
- B. Approval of Financials for May 2021
- C. Approval of Invoices for \$371,847.91
- D. Approval of Retirements for October and November 2021 and Return of Contributions if Applicable:
 - 1. Hortensia Adams (October)
 - 2. Ernest East (October)
 - 3. Ralph Martini (October)
 - 4. Jerome Tillman (October)
 - 5. Steven Vincent (October)
 - 6. Adrian Cantu (November)
 - 7. Daniel Horton (November)
 - 8. Steven Thatcher (November)
 - 9. Christopher Tyree (November)
 - 10. Anthony Jones (November, Term Vested)

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

The Board recognized Ernest East for 29 years of service, Jerome Tillman for 33 years of service, Christopher Tyree for 32 years of service.

E. Joint Meeting Presentations

The Board had no comments about presentations to be made at the Joint Meeting

F. Investment Performance, Rebalancing and Asset Allocation

Hugo explained that the October Flash report was not available in time to review because of how early in the month the Board meeting was scheduled. He noted that equity markets are down about 5% for September but that the Plan was still up close to 6% for the year and equity markets were up by over 10%.

G. Investment Policy Update of Appendix A

Hugo reported on a small update to Appendix A on page 16 of the investment policy, which adds the EAFE Equity Index fund for Blackrock, and that the Capital Group allocation was reduced from 7% to 6%

MOTION: Andrichak/Riemer to approve the changes to the Investment Guidelines (5-0-0-0).

H. Real Estate Asset Class Portfolio Review

Hugo reminded the Board that at its September meeting Carolyn and Seth Goldman presented real estate investment education and that this month Carolyn would be moving forward to discuss the Plan's holdings as well as suggesting a couple of managers for future investment. Carolyn began with a brief overview of current holdings, noting that roughly 80% of the real estate funds are held in two core funds. She described the Plan's history

with the UBS Trumbull Fund and the timing of its stronger and weaker returns as well as the overall market conditions surrounding those returns.

She also described changes at the fund, including management turnover and separating the fund into multiple parts in the interest of meeting the demands of the exit queue. The Board discussed whether UBS was an open or closed fund and the internal rate of return. The Board also discussed whether the commitments or market values were used to determine the allocations of core versus non-core real estate investments.

Seth reported about a recent discussion that he had with UBS. He described the split management had made in the fund between strategic and non-strategic properties. He described UBS's progress in reducing the redemption queue. NEPC is recommending that the Plan commit an additional \$5-\$10 million into a non-core closed real estate strategy. Seth discussed potential investment opportunities at Alidade Capital in their Capital Fund V and Alterra in their IOS Venture II fund.

The Board discussed Alidade's track record with institutional and retail investors, as well as NEPC's review of their offerings. The Board asked questions about Industrial Outdoor Storage and why it is an attractive investment opportunity. Seth responded to a question about why the Board wasn't being presented with new iterations of funds in which the Board has previously invested, suggesting that the two opportunities presented have a higher anticipated rate of return by NEPC than those types of investments.

Carolyn recommended returning with a real estate pacing plan to help the Board determine the exact size of its next real estate investment and whether it could be split among the two investments presented, as well as an analysis of other funds' minimum and maximum investments in individual holdings. Hugo requested that Carolyn provide the Board with information on what other plans use as a minimum/maximum investment as a percentage of assets they have invested in a real estate fund. The Board decided to gather a few questions and send them to Carolyn for her to discuss with the managers prior to the November meeting.

I. Next Step(s) on Possible Investment with Monroe

Hugo reported that Tom Hickey has reviewed the side letter and intends to approve it. Completion of the necessary paperwork for the investment will be on the agenda in November for the Board to approve.

J. Employment Data from Dodge & Cox, Sands and JP Morgan

Hugo reported that there is still no update. The Board requested that Hugo indicate to the managers the Board very much wants to see an update at the November meeting.

K. NEPC Workplan, and Scheduling of Special Meeting

The Board set a special meeting for November 5th at 11:00 a.m. and would determine after reviewing the PEPRA documents what other things should be included in that meeting.

The Board took a brief break.

L. PEPRA Plan Amendment and District Board Policy #665

General Manager Mike Hursh and District General Counsel Jill Sprague joined the meeting.

Hugo began by inviting General Manager Hursh to update the Retirement Board about the District's continued response to COVID-19. Mike noted that ridership has increased to around 90,000 daily and has been over 100,000 occasionally on Fare Free Fridays. Mike reported that the largest impediment to resuming full service is the inability to hire and train enough operators. He noted that it continues to be a challenge to convince vaccine hesitant employees to get vaccinated.

Hugo gave a brief history of PEPRA implementation so far and of Board Policy #665. He then invited Russ to discuss the three memos in the Board packet: the #665 Memo, the Plan Interpretation Memo and the Transition Issues Memo.

Russ noted that the amendment we are reviewing (for represented employees) includes revisions to the previous amendment that included only unrepresented employees and that the amendment includes all represented employees hired after January 1, 2020. Russ recommended briefly reviewing the revised Plan Amendment, then going over the Board Policy 665 memo which contains comments and observations, and then adopting that memo with modifications as the Board sees fit. Then he recommended the Board review the Plan Amendment interpretation issues memo and, time permitting, also consider the transition memo.

Russ noted that, assuming the District Board adopted it, the Amendment would be effective January 1, 2020. He described the two large sections of the Amendment. The first section, 13.2, is applicable to all participants in the Retirement Plan; while the second is applicable only to those hired after the effective date. Section 13.2 applies to all participants and prohibits retroactive benefit enhancements. That section also includes language about the specific conditions and limitations for re-employment and a felony forfeiture provision.

Section 13.3 only applies to New Participants who were hired after the effective date of the amendment. There is a new definition of compensation, a modified definition of monthly average earnings and provisions for employee contributions. There are also new requirements for service retirement eligibility, specifically five years of service and at least 52 years of age. Finally, section 13.3 provides a new benefit formula.

Russ proceeded to his Board Policy 665 memo, which makes observations and comments about the proposed amendment. He discussed the comments noting their connections to retroactive benefit enhancements and vested rights, especially as they relate to all employees, employees who transfer between represented and unrepresented positions, and employees who change representation. Comments in the memo also discuss whether the new compensation definition applies to all benefit types, deferred vested retirements, interest on employee contributions, COLA adjustment to earning caps, and finally pay codes. The Board discussed the implications of moving between unions or from union to unrepresented and how other systems handle this.

The Board discussed the language in the memo about an interest cap and decided to keep the note about the possibility of high interest rates but to delete the sentence pertaining to an interest rate cap. The Board also discussed whether the District Board could adopt the PEPRA Amendment without completion of the pay code review and noted that contributions cannot begin until the pay code discussions have concluded and the Retirement Board has adopted the pay codes.

MOTION: Andrichak/Coleman to adopt the Board Policy 655 memo with the sentence deleted regarding a cap on the interest rate on participant contributions. (5-0-0-0).

Russ continued to his Benefit Interpretation Memo, noting the importance of a single definition of compensation for New Participants for all benefit types. Next, he noted the eligibility rules in section 13.3 should apply to deferred vested retirements. The third point of the memo makes it clear that the eligibility rules for service retirements in section 13.3 are also applicable to the pre-retirement death benefit for new participants in terms of the employee being eligible to retire (age 52 with 5 years of service). He noted that the logical interpretation of the PEPRA amendment makes survivors eligible for the pre-retirement death benefit if the New Participant has either 10 years of service (8 for ATU) or is eligible to retire. Finally, the PEPRA Amendment doesn't change the eligibility requirements for a disability retirement, and the same definition of compensation will be used for all retirements (Disability, term vest, pre-retirement death, service). Russ also committed to providing a revised version of the memo to make a distinction between section 13 and section 13.3.

MOTION: Coleman/Andrichak to adopt the benefit memo with the modification of references to section 13 to section 13.3. (5-0-0-0)

The Board decided to review the Transition Memo at its November special meeting.

M. Meeting Dates for 2022

The Board agreed to continue to schedule meetings for the third Thursday of the month and that Hugo would bring a draft 2022 calendar to the November meeting.

N. Final Semi-Annual Report #2 for 2021

Hugo reported that the final report was in the Board packet.

O. PEPRA Plan amendment, and PEPRA Implementation

Hugo noted this had been covered earlier and recognized Curtis and Russ for the time they had spent on this complicated topic.

P. Benefits Statements

Hugo reported that staff is ahead of schedule on Benefits Statement distribution preparation. He noted that there are still some Benefits Statements that will be held until after the Board has worked through the issues presented in Russ's transition memo, but that the majority of Benefits Statements would be ready for stuffing and mailing around the end of the month.

Q. Update on Holdback project

Hugo reported on holdbacks, noting continuing progress and staff transitioning to the next group of large holdbacks to have their cases reviewed.

R. Press Inquiry Process

Hugo reported he still needs to speak to Jill with regard to this issue, but it has been lower priority while work continues on the PEPRA amendment.

The Board took a brief break.

S. Closed Session

The Board went into Closed Session with respect to Item W on the agenda. Russ reported that the Board took no action during Closed Session.

T. Adjournment

The Meeting was adjourned at 12:35 p.m.