

**Approved Minutes  
Special Meeting of the  
AC TRANSIT RETIREMENT BOARD  
May 15, 2019**

**ROLL CALL**

Chair Jeffrey Lewis called the meeting to order at approximately 9:10 a.m.

Members Present: Chair Jeffrey Lewis, Vice Chair Yvonne Williams, Claudia Allen, Davis Riemer

Absent at Roll Call: Joyce Willis

Members Absent: None

Also present: Hugo Wildmann, Retirement System Manager; Bertina Ng, Retirement System Analyst; Curtis Lim, Retirement System Temporary Employee; Jason Herron, Retirement System Temporary Employee; Russell Richeda, Legal Counsel; H.E. Christian Peeples, District Board Liaison; (the following individuals were at part of the meeting): Carolyn Smith, NEPC;

**PUBLIC COMMENTS**

None

**CONSENT CALENDAR**

- A. Approval of Minutes for April 22, 2019
- B. Approval of Financials for February 2019
- C. Approval of Invoices for \$285,870.29
- D. Approval of Retirement for May/June 2019:
  - 1. Louis Williams (May)
  - 2. Ronald Wheeler (May, Term Vested)
  - 3. John Baker (June)
  - 4. Durelle Barksdale (June)
  - 5. Douglas Brown (June)
  - 6. Lorraine Fowler (June)
  - 7. Sidney Ragland (June)
  - 8. Earl Taylor (June)
  - 9. Daniel Walton (June)
  - 10. David Yee (June)

The Board congratulated Durelle Barksdale for 43 years of service; Lorraine Fowler, for 33 years of service; Sidney Ragland for 34 years of service; Earl Taylor for 38 years of service and David Yee, for 39 years of service.

**MOTION: Williams/Allen** to adopt the Consent Calendar with term vested approval for Ronald Wheeler without prejudice for modification to the amount or type of benefit.  
(4-0-0-1)

## REGULAR CALENDAR

Hugo briefly discussed the agenda for the meeting, reminding the Board that the Joint Meeting is at 1:00.

### E. Investment Performance, Rebalancing and Asset Allocation

Hugo reported that US Equity markets are down slightly in the month of May but are up 14% year to date. Carolyn began her report discussing the Flash Report, highlighting the performance of select indices, especially the outperformance of REITs and how that will relate to the discussion later about DFA. She also discussed the underperformance of Dimensional Small Cap Trust.

Member Willis joined the meeting. The Board discussed DFA's performance and the reasons for DFA underperforming their benchmark, including their under allocation to REITS and to small cap stocks without earnings. There was continued discussion about the underperformance of value investment. Hugo requested that Carolyn come back next month with a more thorough analysis of the Plan's value versus growth holdings so the Board could discuss rebalancing. Carolyn moved on to discuss the emerging market performance and the performance of our credit managers.

### F. Quarterly Investment Report

Carolyn discussed several asset classes and their 10 year returns through Q1 of 2019. Hugo noted that 10-year numbers now exclude the 2008 financial crisis, and 10 year returns look very different from 11 year returns which include the 2008 market returns. Carolyn continued to review the asset allocation and performance and how the Fund compares to other public funds. She discussed the different asset allocation among funds. There was discussion about the David Swenson (Yale Endowment) model and how this asset allocation differs from our allocation. Carolyn Indicated that the Plan was on the lighter side of private equity when compared to other larger funds.

Carolyn discussed the positive and negative contributions of asset types by their attribution. Moving back to the Due Diligence Monitor, Carolyn reported no action for City of London and no action required due to a management change at DFA. Carolyn reviewed the Fund's

performance against its peer group and mentioned that this slide is also in the Joint Meeting Presentation.

G. Private Market Review

Carolyn reminded the Board that typically data is provided about private markets in a briefer analysis, but she has included a more robust presentation for this meeting. She noted that not all the capital has been called for in the Fund's private debt holdings. Carolyn went on to discuss the phases of private debt investment and where the Fund's holdings are in each phase. The Board agreed that this more detailed analysis of the private market investments should be done on an annual basis.

At the conclusion of Carolyn's presentation the Board took a break.

H. Joint Meeting Presentations

Hugo asked if the Board had any comments on the Joint Meeting presentations and reminded the Board about the feedback given to Graham at the last meeting.

I. NEPC Workplan

Hugo said he thought at the June meeting we should discuss the value and growth allocation in the portfolio as part of a rebalancing discussion. He reminded the Board that these figures need to come from NEPC.

J. Approved Semi-Annual Report

Hugo stated that the approved report is included in the binder.

K. Draft 2019 Balance Sheet and Income Statement as Presented to Williams Adley

Hugo reported that a more robust draft of the financials would be provided to Board Members in advance of the June Meeting.

L. Report on the District Board and Retirement Board Committee Meeting

Chair Lewis reported that the committee met and agreed upon a simple solution that the Retirement Board could contract individually with potential employers to meet its temporary staffing needs. The Retirement Board approved the amendment to the agreement between the two Boards at its last meeting. The District Board will take action on the amended agreement in June.

M. Department Staffing Update and Update on Hiring the Retirement System Administrator

Hugo reported that Retirement Analyst Bertina Ng has been back for a couple of weeks, temporary analyst Curtis Lim is still here, and Jason Herron is still here. Hiring for the Retirement System Administrator is ongoing, with two candidates still being considered; Jason is one of them. Hugo mentioned that he would like to keep Curtis around after the Retirement System Administrator is hired in order to work on several projects that need to be completed.

N. Disclaimer Language for the Summary Plan Description

Hugo gave some background on the process of drafting the disclaimer. Several Board members recommended language and formatting changes. Hugo and Russ will incorporate these changes and send out an updated version of the Disclaimer to the Board a week in advance of the next meeting.

O. PEPRAs Implementation Update

Hugo reported that PEPRAs implementation is ongoing, and that staff is working with the District Finance Department on this.

P. Policy on Speaking with Doctors as Part of the Disability Process.

Hugo reported that historically staff has phoned an applicant's doctor to ask questions and help doctors understand the criteria for a disability retirement. Last year a Hearing Officer mentioned in an opinion his discomfort with Retirement Staff contacting doctors without the applicant being present. The Board discussed the draft of the policy that would govern staff contacting an applicant's doctor. This item has been discussed at numerous prior meetings. Hugo mentioned why he thought it was important to contact an applicant's doctor. The Board discussed the policy.

**MOTION: Riemer/Willis** to adopt the new policy on speaking to disability applicant's physicians and the changes to the Medical Release allowing staff to contact the applicant's doctor. (5-0-0-0)

Q. Retirement System Manager's Report

Hugo provided an article from the San Francisco Chronicle regarding research at Stanford University on a potential marker for Chronic Fatigue Syndrome.

R. Closed Session

The Board then went into Closed Session. Counsel Russ Richeda reported out of Closed Session that the Board took action on two items. Regarding item S1a the Board unanimously

approved the Total and Permanent Disability Application of Henrietta Collins effective November 1, 2018.

Regarding S1c the Occupational Disability Application of Mark Hollmon, the Board unanimously approved his application for Occupational Disability effective May 1, 2019 and approved the granting of a Total and Permanent Disability contingent on receiving an application from Mr. Hollmon for this type of disability. The Total and Permanent Disability would be effective on the same date as the Occupational Disability.

The Board Went back into Closed Session to discuss Performance Evaluation of the Retirement System Manager.

The meeting was adjourned at 12:30 p.m.

**At the June Retirement Board meeting the Board directed staff to include this policy with the May 2019 meeting Minutes.**

### **Policy on Speaking to the Applicants Doctor During the Disability Process 5/17/19**

#### **Background**

A recent Hearing Officer decision raised the issue of the appropriateness of staff speaking with the applicant's doctor without the applicant being on the phone. The Board discussed this issue at several meetings and decided on the following:

The Retirement System Manager and one other staff person will continue to be authorized to speak to the applicant's doctor if the applicant has signed a release allowing retirement staff to speak to the applicant's doctor. The participants on the phone call must adhere to the policy outlined below.

The Board discussed the Disability process and agreed that having staff speak directly with the applicant's doctor is an essential element of ensuring that the Board is provided the information necessary to make a decision. The Board was clear that staff should not lead the doctor to a certain result, and that staff should compile information in an objective fashion. When something is not explicitly stated in this policy, staff will follow the intent of this policy. If they have any questions about the policy, staff should confer with the General Counsel to the Retirement Board.

#### **Policy**

When speaking with an applicant's doctor, staff will adhere to the following policy:

- Two staff members will be on the speakerphone with the applicant's doctor and the doctor will be informed that two staff members are on the call. Staff will use the call to obtain clarifying information such as: asking the doctor for additional information, explaining our disability process/standards or gathering any additional information staff thinks is necessary to process the disability.
- Staff will take notes during the call and will type up these notes within a week of the call.
- When on the phone, staff must be mindful that it must represent both the Retirement System and the applicant fairly.
- Staff must be mindful to try and avoid any biases it might have when speaking with the doctor and not to attempt to lead the doctor to a particular conclusion.

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- If the Retirement System Manager does not follow this policy, the other staff member on the phone call **must** do the following:
  - Discuss his/her concerns with the Retirement System Manager.
  - If this discussion does not resolve the matter, the employee **must** discuss this situation with the General Counsel to the Retirement Board.
  - The Retirement System General Counsel will have the following options:
    - Discuss the matter with the Retirement System Manager and then decide the issue does not need to be discussed with the Board Chair.
    - Discuss the matter with the Retirement System Manager and then decide the issue needs to be discussed with the Board Chair.
    - The General Counsel has the authority to discuss the matter with the Retirement Board at any time.

The Board adopted this policy by a vote of 5-0-0-0 at its May 15, 2019 Board meeting.