

**Approved Minutes
Meeting of the
AC TRANSIT RETIREMENT BOARD
December 16, 2021**

ROLL CALL

Chair Jeffrey Lewis called the meeting to order at 9:05 a.m.

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

Members Absent:

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; Jill Sprague, General Counsel; Gar Chung, Fin News; Joe Ebisa, Pageant Media, Maisha Willis, Yvonne Williams, Oscar Sheehan, Christine Zook

PUBLIC COMMENTS

None

CONSENT CALENDAR

- A. Approval of Minutes for the November 18th Meeting
- B. Approval of Financials for July 2021
- C. Approval of Invoices for \$147,285.93
- D. Approval of Retirements for December 2021 and January 2022
 - 1. Christine Carter (December)
 - 2. Jeffrey Breckenridge (January)
 - 3. Robert Edward Jr. (January)
 - 4. Francisco Ornelas (January)
 - 5. Owen Johnston III (January, Term Vested)
 - 6. Nathaniel Kramer (Return of Contributions)

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

The Board Recognized Jeffrey Breckenridge for 27 years of Service and Francisco Ornelas for 40 years of service.

REGULAR CALENDAR

E. Approve Resolution Regarding Remote Meetings Pursuant to AB 361

Hugo reported that this item was not moved to the consent calendar because it required the scheduling of an additional special meeting. He described the included memo about the District safety officer recommending further remote meetings.

MOTION: Andrichak/Riemer to adopt the resolution regarding AB 361 (5-0-0-0).

F. Schedule Special Meeting for January of AB 361 Compliance

After discussing availability, the Board set a special meeting for Thursday January 13th at 1:00 p.m. as the January 20th meeting was more than 30 days from this meeting and AB 361 only allows for 30 days.

G. Update on COVID-19 District and Department Activity

Hugo reported that the emergence of the Omicron variant of COVID-19 will likely further delay District plans to return to the office and that the District Board passed a vaccine mandate for District employees at its last meeting. Director Peeples outlined the District Board's decision about the vaccine mandate and that it would need to be negotiated with the unions and implemented in January. Josette described some potential issues in negotiating the mandate with the District.

H. Investment Performance, Rebalancing, and Asset Allocation

Hugo reported that the large cap U.S. stock market is up about 24% for the year and described a move he had made recently to free up additional cash for benefit payments. Carolyn began her review of the flash report noting that most of the indices were down slightly in the month of November. For the month of November, the Fund was down 2.4% and the policy index was down 1.7%. Year-to-date the Fund is up 6.8% and 10.5% over the last 12 months. The Board discussed the recent performance of Sands as well as their long-term performance. There was discussion about the difference between returns in the domestic market versus returns in international and emerging markets, as well as the types of fixed income investments and their performance and relative risks.

Carolyn continued, reporting about the returns of the Fund's private debt and real estate holdings. The Board discussed the underperformance in the UBS Trumbull fund.

I. Update on new Monroe Fund Investment.

Hugo reported that he has signed the necessary paperwork and he is just waiting for it to be returned. Some funds will be re-allocated from equities and some from fixed income to fund the new investment at the beginning of next year.

J. Quarterly Investment Report

Hugo reported that due to a full schedule, the board had not spent any time on the report last month. Now that the board had seen November's Flash Report they should focus on that report.

K. Update on Real Estate Manager Search

Hugo reminded the Board that at its last meeting it heard presentations from Alidade and Alterra on two different types of real estate investments. These investments would be part of our non-core real estate investments. Last month, the Board requested that Carolyn return with a side-by-side comparison of the two funds and that Tom Hickey take a quick review of the associated documents for Alterra. Tom is familiar with Alidade and does not expect any issues and did a quick review of Alterra and similarly expected no issues with their documents.

Carolyn reviewed her comparison document reviewing size, timing, strategy, leverage, and target IRR, as well as details about the firms and the fund strategies. Carolyn's documents also included pros and cons for each of the investments. The document also compared fees for the two funds and their distribution waterfall. The Board discussed the pacing of possibly making two investments, as well as the logistical difficulty of adding two managers at this time instead of one.

The Board took a brief break.

The Board discussed the timing necessary for investment in each of the two funds. Hugo reported that he had let Alterra know the Board was interested, and they would reserve capacity for us to invest in the fund. The Board discussed the liquidity of the investments and whether the Fund had available cash elsewhere. The Board discussed the timing of its investments and whether an investment in these two strategies at the same time might make the funds susceptible to the same market changes. The Board also discussed staff capacity to monitor the increasing number of funds and managers that the Board has hired. The Board decided that the two investments were in very different parts of the real estate market and investing in both of them this year was appropriate. Carolyn was comfortable with the Board investing with both Alterra and Alidade.

MOTION: Andrichak/Moss to move forward with the process of investing \$8 million in both Alidade and Alterra and have Tom Hickey review the documents and do his usual work.

L. Alternative Investment Fee Disclosure (AB 2833)

Carolyn reminded the Board of its obligations under AB 2833 to collect and report fee information for alternative investments and carried interest that has been paid. We have interpreted the law to include information about private debt and private real estate. The Board reviewed the types of activities that generate fees and expenses for the report. Carolyn reported that no carried interest fees were paid in 2020, even if they had been accrued. The law requires only that paid fees are reported, not accrued fees. The Board discussed who audits the fees paid to funds. The Board requested the opportunity to review audited financials versus the original contracts.

MOTION: Riemer/Andrichak to accept Carolyn's AB2833 Alternative Investment Fee Disclosure Report. (5-0-0-0)

M. NEPC Workplan

Carolyn reviewed her workplan with potential items for 2022. The Board requested that UBS come in early in 2022 to review their performance. The Board decided to discuss its equity allocation at the same time as the capital market outlook. The Board also asked to discuss ESG in March of 2022.

N. Employment Data from Dodge & Cox and Sands Capital

Hugo reported that the Plan's investment managers often look different than employees at AC Transit, and the Board had asked for a report on diversity from managers that have recently spoken at Board meetings. Hugo recommended that the Board send a letter annually to all of our investment managers asking for diversity information to indicate how important the issue is for the Board. The Board discussed the importance of each firm's outreach and how much they are spending on that outreach. The Board requested that Hugo, Russ, and Carolyn work on a letter to send to investment managers. Carolyn reported that NEPC is working on their own metrics for diversity, equity, and inclusion.

The Board took a brief Break.

O. Return of PEPRA Contributions, PEPRA Pay Codes, and PEPRA Benefit Calculations

Jill Sprague joined the meeting to discuss ongoing PEPRA litigation and its effect on Federal grants to the District. Jill reported there is litigation regarding PEPRA and bargaining rights; the District thought that litigation was over, but it has reappeared. The Department of Labor has refused to certify federal funds for the District. The state of California has filed a motion to stay the DOL's opinion, and, if that stay is granted, the federal funds would start flowing again. The Board discussed the possible impacts of loss of Federal funding.

Hugo reported that for the people who needed their contributions returned to them given the Board's recent re-interpretation of the amendment, those funds have started being returned for this year, and prior years will be returned in 2022.

Regarding Pay Codes for the PEPRA Plan amendment, Hugo reported that he, Curtis and the District and Unions have reviewed pay codes and whether each is pensionable income under PEPRA. He reported that there had been a lot of discussion about discretionary overtime versus scheduled 10 or 12 hour shifts and how the latter should be pensionable income. The Unions and the District have agreed on the applicability of PEPRA pay codes. In a memo in the Board packet, Hugo and Russ recommend that the Board approve these codes.

The Board discussed the process that was used to arrive at the pay codes in the memo and the rationale that was followed.

MOTION: Andrichak/Coleman to adopt the pay codes based on the memo from Russ and Hugo. (5-0-0-0)

P. Benefit Statements

Hugo reported that all but a small number of Benefits Statements have been sent out in the mail and that, so far, the volume of questions had been pretty low.

Q. Holdback Project Update

Hugo reported that progress is still being made on the largest holdbacks and that staff has been working on a policy to be reviewed by Russ and presented to the Board soon.

R. Calendar for 2022

The Board discussed possible conflicts with the calendar for next year and decided to wait to reschedule until later in the year.

S. PEPRA Benefit Calculation

Hugo reported on the changes to pension benefits for classic and PEPRA participants. He noted lower benefit amounts in most cases under the PEPRA plan, which may make hiring more difficult than before for the District. This issue is especially true for positions that exceed the earning cap.

T. Retirement System Manager's Report

Hugo reported on an article included in a packet about pension cash and liquidity crunch. Jeff reported that the pension typically uses monthly District contributions for cash and liquidity. Hugo also reported that there has not been any more progress on the press inquiry procedure.

U. Closed Session

The Board went into Closed Session. Russ reported out of Closed Session that with respect to item AA1B, the Board unanimously approved the application for Occupational Disability by Beverly Valrey with an effective date of March 1, 2021. With respect to Item AA1C, the application by Calvin Colding for Total and Permanent Disability, the Board unanimously granted that application with an effective date of August 1, 2021.

V. Adjournment

The Meeting was Adjourned at 1:33 p.m.