

**Approved Minutes
Meeting of the
AC TRANSIT RETIREMENT BOARD
March 19, 2020**

ROLL CALL

Chair Jeffrey Lewis called the meeting to order at 9:03 a.m.

Members Present: None

Present by Phone: Chair Jeffrey Lewis, Vice Chair Yvonne Williams, Davis Riemer, Joyce Willis, Claudia Allen

Members Absent: None

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

PUBLIC COMMENTS

None

Hugo reported on the unique circumstances of this meeting as a result of the COVID-19 situation. He noted the governor's recent modification of the Brown Act making public meetings via teleconferencing easier to hold. The relaxed rules still require that a physical location be provided for the public to participate in the meeting.

Hugo reported that he had just been informed that someone who attended the CALAPRS General Assembly was deemed "presumptively positive" for COVID-19. Out of an abundance of caution, Hugo decided not to attend the meeting today in person. (Subsequent to the meeting Hugo was informed that the actual COVID-19 test for this individual was negative.) Hugo stated that he had checked with the guard station at AC Transit, and no member of the public had shown up at the meeting. Russ recommended that the Board begin the next meeting that the public could attend with the ratification of items approved at this or any subsequent Board meeting that could not be attended by members of the public. The Board reviewed each of the consent calendar items.

CONSENT CALENDAR

A. Approval of Minutes for the February 20th Meeting

With changes to wording from plaintiffs to defendants and named individuals to named defendants.

MOTION: Williams/Allen to approve Minutes (5-0-0-0)

B. Approval of Financials for October 2019

The Board had some questions about a payable amount in the financials and requested additional information about the “other payables” line.

MOTION: Williams/Reimer to approve Financials (5-0-0-0)

C. Approval of Invoices for \$262,628.31

Hugo noted that one of law firm’s bills that was working with the Retirement Board on the Dollene Jones matter was \$5,400. Hugo had concerns about this amount so he approved the payment of \$3,000. The Board discussed the no-show fee charged by ExamWorks, and that there would be additional discussion later about pursuing a new vendor.

MOTION: Williams/Reimer to approve Invoices (5-0-0-0)

D. Approval of Retirements for April 2020:

1. Robert Aguirre (April)
2. Robert Angelo (April)
3. Araminta Harris (April)
4. Marshall Leung (April)
5. Juan Molina (April)
6. Thomas Prescott (April)
7. Rebekah Ramos (April)
8. Charlotte Terrell (April)
9. Jagtar Vilkhur (April)
10. Mulazim Washington (April)
11. James Henderson (April; Term Vested)
12. Cecilia Lavu (April; Term Vested)
13. Lisa McGuire (April; Term Vested)

The Board discussed the treatment of District Domestic Partnerships versus State Domestic Partnerships, and a possible change to the Retirement checklist to appropriately include that difference. Hugo noted that staff would need to be flexible and adaptable about receiving paperwork.

MOTION: Williams/Reimer to approve Retirees pending satisfactory completion of documents. (5-0-0-0)

The Board recognized Robert Aguirre for 40 years of service, Robert Angelo for 35 years of service, Marshall Leung for 37 years of service, Juan Molina for 25 years of service and Mulazim Washington for 34 years of service.

Hugo discussed the unique circumstances pertaining to having the entire department work from home and “meeting” with retirees over the phone or through Zoom. He said with the use of cameras on smart phones and email and services such as Facetime, we should be able to obtain the documentation we need and provide the retirees with the information they need. He stressed that the department would need to be flexible and adapt to changing circumstances.

Reimer/Willis In light of the COVID -19 Emergency staff will be reasonable and flexible in procuring sufficient documentation for retirees and will consult, as needed, with Russ as the process evolves. (5-0-0-0)

REGULAR CALENDAR

E. Delegation of Authority

Hugo reviewed a memo enclosed in the Board Packet, recommending that the Board grant him and a subset of the Board additional authority as a way of dealing with some of the limitations of the Brown Act. The Board committee would be comprised of Jeff and Claudia and would consult with Russ. This committee would have the ability to approve retirements, pay retirees and vendors and give staff direction either when the members of the committee agree that direction should be given or when staff requested direction. After some discussion and with the hope that this committee would not need to meet, the Board thought it was a good idea at this time because of the uncertainty pertaining to the current situation.

MOTION: Williams/Reimer to approve the formation of a subcommittee consisting of Chair Lewis and Member Allen to approve retirements, payments to retirees and payments to vendors in case of an emergency that prevents a full meeting of the Board. (5-0-0-0)

F. COVID-19 – From Retirement System Manager’s Report

Director Peebles reported that GM Hursch has been providing regular updates and noted that Clipper and cash revenues are down 37% and 46 % respectively. He also reminded the Board that Clipper and cash fare box revenues make up only 18% of total revenue. Claudia Allen reported that the District expects that sales tax revenues will be down significantly. Yvonne reported that ATU members over 65 have been given the option to shelter in place until April 7. Some agencies are also moving to rear boarding and alighting. Director Peebles reported that GM Hursh has been given authority by the AC Transit Board to alter service levels as necessary to adjust for staffing and rider levels.

The Board discussed the future implications of reduced District revenues going forward and discussed how Carolyn (NEPC) and Graham (Cheiron) can begin to provide guidance to the Board about adjusting to this current situation.

G. Investments

Hugo briefly addressed the recent market performance, reviewing the steep recent declines in all equity markets and most non-U.S. Treasury fixed income markets. The Board discussed the equity markets and the current situation pertaining to COVID-19. Carolyn reviewed the Flash report, reviewing where indices and the Plan were at the end of February as well as trading through March 18th. She noted that through the end of February, the S&P was down 8.3%, and, through trading on March 18th, it was down 25.4% year to date. The Russell 2000 year to date was down 40%. Carolyn estimated that the Plan is down close to 18% for the year. Hugo reminded the Board that an 18% decrease more than offsets the 17% gain in 2019. Carolyn noted that in order to create her year to date estimate, it was necessary to estimate an asset allocation structure. She reported that the Fund is currently below its public equity target and above its allocation in fixed income. Therefore, she is recommending some rebalancing. Hugo and Carolyn estimated that our equity holdings amount to roughly 44% of the Plan, verses the target allocation of 51%.

Hugo and Carolyn had discussed and were recommending increasing the cash holding of the Plan from about 1% (\$6,000,000) to closer to 2% (\$12,000,000), as in the current environment having additional liquidity would be a good idea. Hugo mentioned the possibility of additional capital calls from some of our managers. In terms of rebalancing, they recommended reducing the holding of the State Street Fixed Income Fund and moving these funds to the State Street Russell 1000 Equity Index Fund. This approach would allow these transactions to be done simultaneously. The Board discussed the timing of the moves and whether the market had hit the bottom. Carolyn said NEPC was recommending to their clients that they conduct some rebalancing but not all the way to their targets at this time. Hugo recommended that the move to equity go in two to three different pieces.

MOTION: Reimer/Williams to raise the Fund's cash allocation from approximately 1% to closer to 2% by selling from the State Street Fixed Income Fund; and to increase the Fund's equity allocation by selling roughly \$6 million from the State Street Fixed Income Fund and increase its equity allocation by re-investing those funds in the State Street Russell 1000 Large Cap index fund; these actions to be done over a period of time to be determined by Hugo and Carolyn. (5-0-0-0)

Hugo reminded the Board that the original agenda had JP Morgan coming to discuss their real estate fund. The Board discussed whether this was the correct time to discuss the real estate pacing plan, and Carolyn noted that because real estate had stayed relatively flat compared to the global market, the Plan's real estate holdings had already become a larger percentage

of the Plan's holdings. The Board decided not to discuss the real estate portfolio at this meeting.

H. NEPC Workplan

The Board discussed having one of our large money managers such as BlackRock or State Street make a presentation at the April meeting about the current state of the markets. The Board discussed this suggestion and decided they would rather discuss the real estate portfolio. Hugo noted that Graham was available for the meeting on April 16th, and Hugo thought it would be helpful for him to provide an actuarial perspective on the impact of the market decline on the Plan.

I. Update on movement of funds.

Hugo reported that so far three transactions had been completed to move funds from Parametric to Legal & General and that the remaining \$2 million would be completed soon. The paperwork for the move from Franklin Templeton to Blackrock had arrived and was being reviewed.

Hugo also reported that even in the market decline, Growth stocks were still outperforming Value stocks.

J. Draft Semi-Annual Report

Hugo reported that the market decline had made the Semi-Annual report in the packet in need of a substantial rewrite. Hugo suggested, and the Board agreed, that the write-up should focus more on the market performance on 2020 and less on the investment performance of the fund in 2019. Director Peeples reported that the District Board would prefer a rewritten report instead of the current report.

K. Update on Holdbacks

Hugo discussed the memo from Jason regarding the circumstances and people associated with the four largest holdbacks in the Plan. Hugo reported that he had some discussions with other California pension fund managers at the CALAPRS General Assembly, and they had suggested he contact some of their staff to discuss how they handle "holdbacks". Given the current situation Hugo said that he would need to wait several weeks before contacting other plans. The Board discussed the cases in the memo and the options for paying members and the differences between term vested and current employees. Hugo reported that Russ had been planning to go to various local court houses to seek relevant documents for the divorces in question. With the current situation, these visits would need to wait. Hugo noted that the decisions on resolving holdbacks would be made by the Board.

L. Paratransit and Service time

Hugo reported that he and Russ had reviewed the contents of the old boxes in Russ's office looking for information about plan amendments. Russ reported that before he was forced to stay out of his office, he'd found additional relevant information. Russ said he would work on a write-up for the next Board meeting.

M. PEPR Implementation update

Hugo reported that staff has continued to work on PEPR implementation. He noted that one participant had been repaid his contributions, and that two more would be repaid soon. Hugo added that the current situation had complicated receiving mail from the individuals we are working with.

The Board took a brief break.

N. Retirement System Manager's Report

Hugo reported that he and Russ might be able to make significant progress on the Plan restatement since they would both be out of the office.

He reported that staff would be working from home, and they have already submitted March Payroll. The Board directed Hugo to send a communication to the divisions letting them know how to reach staff for retirement questions.

Hugo reported that staff would be engaging with National Disability Evaluation, by tele-medicine as necessary. He noted that the Board could approve tele-medicine Disability reports on an interim basis, to be reviewed once applicants could be seen in person. He said National Disability Evaluation would provide an alternative to ExamWorks. He envisioned using both firms.

MOTION: Reimer/Allen to proceed as recommended by staff to use National Disability Evaluation and Tele-medicine as situations require it to at least get interim recommendations for the Board to act upon, with follow up evaluations as needed.
(5-0-0-0)

The Board discussed using both ExamWorks and National Disability Evaluation and determining a preference over time. When engaging new doctors, Hugo will continue to speak with them before they meet with our retirees. The Board stressed to Hugo the need to confirm with the doctors that they need to be neutral.

Hugo reported about work done by Graham to help Hugo with information Claudia requested for the District Board.

Hugo reported that Lisa Henderson has called and violated parts of the restraining order against her. He reported that Oakland Police were scheduled to visit him in the office but as a result of the COVID-19 situation, that will be delayed.

Hugo reported briefly about the CALAPRS General Assembly, noting that he would reach out to other systems once things were more settled. Hugo reported that someone at the conference had a presumptive positive test result to COVID-19; subsequent to the Board meeting Hugo was informed that this individual tested negative.

The IFEBP institute has been cancelled, and Barbara will be working to get refunds.

Hugo reported that he still had not received all of the Form 700's and recommended use of the online form and a delay in the deadline.

MOTION: Reimer/Allen that the Board make a good faith effort to get their Form 700 documents in on time but if not able to do so then within 5 days of the shelter in place order being lifted. (5-0-0-0)

O. Closed Session

No report from Closed Session.

P. Adjournment

The meeting was adjourned.