

**Approved Minutes
Meeting of the
AC TRANSIT RETIREMENT BOARD
December 17, 2020**

ROLL CALL

Chair Jeffrey Lewis called the meeting to order at 9:07 a.m.

Members Present: None

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

Members Absent: None

Also present by Zoom: Hugo Wildmann, Retirement System Manager; Jason Herron, Retirement System Administrator; Russell Richeda, Legal Counsel; H.E. Christian Peeples, District Board Liaison; Bertina Ng, Retirement System Analyst; Curtis Lim, Temporary Retirement Staff. The following attendees attended all or part of Open Session, but left the meeting for Closed Session: Christopher Marten, Temporary Retirement Staff; Carolyn Smith, NEPC; Ralph Martini, Controller; Michael Hursh, General Manager; Jill Sprague, General Counsel; Chris Andrichak, Acting Deputy Chief Financial Officer; Maja Ben, Publication/Journalist; Gar Chung, Financial Investment News; City of London Investment Management: Todd Fawaz, Mark Dwyer, and Oliver Marschner; Capital Group: Vince Ortega, Relationship manager and Steve Caruthers. Some of the items were taken out of the order they appeared on the agenda.

PUBLIC COMMENTS

None

CONSENT CALENDAR

- A. Minutes for the November 12th Joint Meeting
- B. Financials for July and August 2020
- C. Invoices for \$88,192.22
- D. Approval of Retirements for December 2020 and January 2021 and Return of Contributions if Applicable:
 - 1. Charles Carter (December)
 - 2. LaJune Haney (December)
 - 3. Joseph Horton (December)

4. Kennard Plummer (December)
5. Eugene Emelia (January)
6. Marilyn Lawrence (January)
7. Latonya Lockhart (January)
8. Denise Washington (January)

MOTION: Williams/Riemer to approve the Consent Calendar with a slight rewording of the investment performance section. (5-0-0-0)

The Board recognized LaJune Haney for 29 years with the District, Kennard Plummer for 35 years, Eugene Emelia for 29 years, Latonya Lockhart 36 years, and Denise Washington for 31 years.

REGULAR CALENDAR

The Retirement Board May Discuss and Take Action on the Following:

E. Policy on Conversion from Disability to Service Retirement – Hugo Wildmann

Hugo presented details of the policy documented in the memo which the Board could adopt. Hugo also informed the Board, that staff has composed, and Russ has reviewed Increase/Decrease letters for retirees eligible for conversion as requested at the November Board meeting. The Board requested language to be included in the memo to emphasize the Board's discretion to designate different effective dates if deemed appropriate.

MOTION: Riemer/Allen That the policy set forth in the two bullet points in the memo would be adopted with the addition of a flexibility clause, to be drafted by Hugo and Russ in consultation with the Board Chair; subject to appropriate letters being drafted. (5-0-0-0).

Conversion Letters: Regarding the increase letter, the Board requested that the second paragraph be written in short declarative sentences and be highlighted in the text so that participants get the point. Board also emphasized keeping the language and format as simple as possible. The Board requested Hugo bring back a revised draft.

F. Investment Performance, Rebalancing and Asset Allocation

Hugo reported that markets performed well last quarter and as a result, there is a need to rebalance funds from equity to fixed-income and continue the rebalancing the Board approved at a prior meeting. Hugo will continue to move funds from Capital Guardian to BlackRock EAFE Value, and then move funds from the DFA International Small Cap Value fund to the DFA International Small Cap core. Funds were moved from Sands Capital Select Growth Strategy to the SSGA Growth Index Fund. Hugo further noted that we have over 55% in Equities, and our policy calls for roughly 51%. Hugo's recommendation is to move \$15 million from the SSGA Russell 1000 Index Fund to the SSGA Fixed Income Index Fund. The Board approved this rebalancing.

Carolyn reported that the investment performance of most of the portfolio compared well with their benchmarks. Carolyn highlighted Sands Capital Select Growth Strategy and Dodge & Cox.

G. Portfolio Review Presentation by City of London Investment Management

Todd Fawaz, Mark Dwyer, and Oliver Marschner discussed their firm's background and strategy, noting that they invest in closed-end funds. They reviewed investment performance over the period of time they have managed funds for us.

The Board inquired about the firm's reaction to discounts, the frequency of purchase/sale of investments and future prospects for the fund. The firm cited herd mentality and cyclical rebound in China and Emerging Markets. However, as they purchase and sell based on discounts, the discounts in those markets have narrowed due to performance. The firm anticipates the emergence of higher inflation and taxes within the next 2-3 years.

H. Portfolio Review Presentation by Capital Group

Vince Ortega, relationship manager, and Steve Caruthers reviewed the multi-portfolio manager approach that is unique to Capital.

The Board asked the firm several questions about its experience with redemptions through Q1 as investors reacted to the steep decline in risk asset prices. Steve replied that as the investors in this portfolio are almost entirely defined benefit plans, these investors did not sell into the market declines. The Board asked the firm what approach they took as the price of some of their investments suffered significant declines. Steve replied that they added to positions. The Board inquired if Capital Group workforce data was available for review as the Board has questions about the diversity of the workforce. Vince said they would provide Hugo with this data. Vince and Steve discussed ESG investing and the Board asked several questions on the subject. They mentioned that they engage with companies on ESG.

I. NEPC Work Plan and Calendar for 2020 and 2021

Hugo commented that the Work Plan and Calendar for 2020 has been completed.

Hugo noted that some of the questions we'll likely address at the first meeting of 2021 will be basic in nature because we will have three new Board members. We will likely discuss asset allocation and the structure of our portfolio.

The Board asked who the two new Board members will be. Joyce reported that ATU is waiting on guidance from ATU International, as some issues pertaining to the election have arisen and the election might need to be held again. The local union notified the International and asked how to proceed.

J. Update on COVID-19 – Department and District Activity

Hugo reminded the Board that Jason will be taking paternity leave in January and February, so Chris was brought on board to do some of Jason's work during this leave. Hugo reminded the Board that many tasks take longer with the department working from home.

K. Benefit Statements Update

Hugo began the discussion providing an update on activity that occurred since the last Board meeting. Hugo told the Board that, as was decided during the last Board meeting, staff was to send out all the Benefit Statements. However, the following Monday, Hugo had a meeting with District Counsel Jill Sprague and with the outside Counsel on the PEPRA Plan Amendment, and Jill requested that staff hold off on sending out the 60 Benefit Statements in question. These Benefit Statements represent Employees moving from one union to another. These Benefit Statements had “disclaimer language” on them stating that depending on how PEPRA impacted the employee the Benefit Statement might overstate their retirement benefit.

Jill noted that the primary concern is identifying what the effective date for the PEPRA Amendment would be, particularly the date for the “no retroactive benefit” provision. Jill was concerned that we would send out Benefit Statements we knew could have a high likelihood of being incorrect.

The Board discussed their desire to send out Benefit Statements in a timely fashion and did not want to wait until the Plan Amendment was approved. After additional discussion and hearing from Jill and Russ, who both agreed that sending the Benefit Statements out with the disclaimer language was the best course of action, the Board instructed Hugo to send out these Benefit Statements.

Hugo mentioned that we are holding another group of Benefit Statements for fewer than seven employees, and we should discuss these at the next meeting.

L. Thank You to Yvonne Williams, Joyce Willis and Claudia Allen

The Board and meeting participants conveyed their appreciation and admiration for the three Board members whose terms are ending this year. Retirement Board members, Director Peeples, General Manager, Mike Hursh, Russ Richeda and Hugo praised the outgoing board members for their professionalism, good humor and dedication to the Board. Jeff mentioned that he had worked with numerous Board members while on the Board and that this group stood out for how well they worked together. Director Peeples thanked the three outgoing Board members on behalf of the AC Transit Board for all of the work they have done. He wished the three of them a wonderful retirement.

M. Holdback Project Memo

Hugo acknowledged that there is not much progress to report to the Board. Staff will have a more extensive report next month as they continue to gather information. The Board asked if any of the holdbacks have been resolved, and Hugo responded no. Russ commented that in one of the cases, the parties know exactly where they are and know exactly what they need to do, and it's up to them. Staff is compiling and waiting for court documents on the other three largest holdbacks. The Board requested a detailed report next month.

N. Paratransit and Service Time Update

Hugo added that he had received an email from Yvonne earlier this morning outlining the union's view on this topic. He had forwarded this email to the Board prior to the meeting. Hugo introduced the discussion citing Russ's memo from April which concluded that Paratransit service is not counted when calculating a Service Retirement. Hugo mentioned this has been the practice since he began working here.

Russ suggested the Board could confirm staff's practice as reflected in his memo to the effect that Paratransit time is not to be considered as Service under the Retirement Plan. Jeff asked about any claims that have been received from employees or retirees about paratransit service. Russ confirmed that one individual had filed a claim.

Vice Chair Williams stated that the Union's position is that the Union does not have adequate proof to establish Paratransit members were intended to be included in the Pension Plan; however, the Plan states "all employees of the District." She continued, reaffirming that both the Union and the District established that they are employees of the District; however, the Union doesn't have information to show that there was bargaining history to include them in the Plan.

Chris Peebles stated that he had a conversation with Rick Fernandez, who was the General Manager, who said that he was willing to testify that his deal with Christine Zook, then the ATU President, included that Paratransit employees would not get service time and there would be a separate proposal to bring them under ATU 192 as a separate contract. He concluded that Paratransit employees were never part of the ATU contracts, and that was very clear. Russ reminded the Board that their task on this matter is to interpret the plan. Looking at other issues is not what the Board should focus on. Chair Lewis agreed with Counsel's conclusion that the issue is not a financial issue but one of plan language and interpretation. The Board held additional discussion on this.

MOTION: Allen/Willis. The Board will adopt the recommendation of Counsel and staff that, based on all of the evidence to date, Paratransit shall continue not to be credited as Service under the Plan. If in the future further evidence comes to the Board's attention that bears on this issue, the Board will revisit it at that point. (4-0-1-0) (Williams abstained)

O. PEPPRA Implementation

Hugo reported that staff has been meeting with the District, going over the plan amendment for represented PEPPRA employees.

P. Retirement System Manager Report

Introduction of New AC Transit Board Members – AC Transit, elected 2 new members. Hugo noted that he prepared an orientation agenda and met with Director Walsh and Director Beckles. He invited them to attend this and other Retirement Board meetings.

Orientation for New Retirement Board Members – Hugo noted that once the new Board members are selected by ATU, he will reach out to them to schedule an orientation.

Back-up for Russ Richeda – Russ announced he has selected a backup, Sun Chang, who is

tentatively scheduled to attend the February meeting and be introduced to the Board.

CALAPRS Schedule for 2021 – Hugo notified Board of the scheduled CALAPRS General Assembly in March. Relevant topics include: Cyber Security, COVID-19, and Unconscious Bias.

1099 Preparation and Possible Outsourcing – Hugo reported that staff is working on creating the 1099's with particular challenges that COVID is presenting. Possibly outsourcing the tasks is no longer being considered.

Update on Plan Restatement – Hugo reported that staff is working on and has made progress on the Plan Restatement and will make a presentation to the Board in January or February.

Q. Closed Session

- R. The Board went into Closed Session. Russ reported out of closed session that the Board considered the Application of Tanya Forney for an Occupational Disability and voted unanimously to approve the application effective 3/1/20. Adjournment

The meeting was adjourned at 1:30 p.m.