

**Approved Minutes
Meeting of the
AC TRANSIT RETIREMENT BOARD
July 15, 2021**

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 Josette Moss, Davis Riemer, Robert Coleman, Chris Andrichak
Members Absent: None

Also present by Zoom: Hugo Wildmann, Retirement System Manager; Russell Richeda, Legal Counsel; H.E. Christian Peeples, District Board Liaison; Jason Herron, Retirement System Administrator; Bertina Ng, Retirement System Analyst; Curtis Lim, Temporary Retirement Staff;. The following attendees attended all or part of Open Session: Carolyn Smith, NEPC; Kevin Johnson, Dodge & Cox, Ralph Martini, District Controller; Cyril Espanol, Pageant Media, Gar Chung, Financial Investment News

PUBLIC COMMENTS

None

CONSENT CALENDAR

Hugo welcomed members of the public and media who joined the meeting and reported that the Board would hear a presentation from Kevin Johnson from Dodge and Cox. Jeff asked about the timing of the monthly financials, and Chris Andrichak reported that the District was working to procure software that will improve the time to produce the financials. He also noted that some short term staffing changes may affect the timing.

- A. Approval of Minutes for the June 28th Meeting
- B. Approval of Financials for March 2021
- C. Approval of Invoices for \$67,530.89
- D. Approval of Retirements for July and August 2021 and Return of Contributions if Applicable:
 - 1. Elena Terriquez (July)
 - 2. Gregory Burns (August)
 - 3. Steven Elenbaas (August)
 - 4. Greg Herrin (August)
 - 5. Barbara Lige-Dixon (August)
 - 6. Victoria Sanchez (August)

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

The Board recognized Gregory Burns for 35 years of service, Steven Elenbaas for 35 years of service, Greg Herrin for 28 years of service, Victoria Sanchez for 26 years of service.

REGULAR CALENDAR

E. Update on COVID-19 – Department Staffing and District Activity

Hugo reported to the Board that little has changed in the retirement department since the very recent last meeting and invited others to report about other COVID-19 related developments. Director Peebles reported about the recent District Board meeting where the District's plans for re-opening and restructuring routes were discussed. He further noted difficulties the District has experienced hiring new drivers.

Josette reported about discussions that she has had with recent retirees and why they are choosing to retire. She also noted the Union's efforts to encourage vaccination. Robert reiterated the difficulties of hiring new drivers. Chris A. reported that August 23rd was the District Board's tentative restart for returning to the office, but that the situation is developing; the return to work date had not been communicated to employees yet. He also reported that the vaccination rate for employees was around 50%.

F. Investment Performance, Rebalancing and Asset Allocation

Hugo reported that investment performance continues to be good, noting that the stock market is up over 16% for the year. Carolyn began her report with an update on Dodge & Cox performance to provide some context for Kevin's presentation. Carolyn reminded the Board that Dodge & Cox has been one of its active U.S. large cap managers dating back to 1992, and, over this period, it has outperformed the market. She described Dodge & Cox as a value manager and reminded the Board about the difference between value and growth stocks.

G. Dodge & Cox Presentation

Kevin Johnson joined the meeting to discuss the portfolio managed by his firm. Hugo introduced Dodge & Cox and its relationship with the Plan. He reported that Dodge & Cox manages \$85 million for the plan and that they are paid about \$250,000 in fees per year, about 30 basis points. Kevin began his presentation talking about his 31 years with Dodge & Cox and explained briefly how they analyze stocks. He described the value orientation as looking for companies that have attractive long-term outlooks and are not selling at a high valuation relative to other companies in their industry and the overall market.

Kevin pointed out that the portfolio net of fees is up 25.6% year to date, exceeding the performance of the S&P 500 and Russell 1000 value index. Kevin noted Dodge & Cox's long term view and the fund's long term outperformance compared to relevant indices, even with occasional years in which the fund will underperform. The Board discussed drivers for the trends in growth and value. In some cases, growth companies have performed well despite relatively high prices. Kevin discussed the holdings in the portfolio by sector. The Board asked questions about how Dodge & Cox made decisions about stock selection. The

Board discussed Dodge & Cox's holdings and how the company approaches bad news about an individual stock.

Kevin gave a brief update on Dodge & Cox's management team and some upcoming retirements and transitions. The Board requested a breakdown of the investment team by diversity. The Board discussed the push in the investment industry to reduce fees. The Board asked questions about decisions made with ESG factors in mind, and Kevin responded by discussing how his firm made these decisions.

The Board took a brief break.

H. Investment Performance Continued

The Board continued to discuss their thoughts on the Dodge & Cox presentation and their performance. Hugo recommended that next month the Board should review progress on portfolio rebalancing. Carolyn reported that the equity managers for the Plan are performing well, which is resulting in the Plan doing well overall. She also noted that, on the fixed income side, the Plan is performing well because the risks that the Board has chosen to take are paying off.

I. Update on Possible Investment with MGG

Hugo reminded the Board that at its last meeting the Board had instructed staff to move forward with a private credit investment at MGG. The next step in the process was to hire Tom Hickey to review documents and contracts for investment with MGG and provide an analysis. Carolyn discussed a meeting that she had with Tom Hickey, Russ and Hugo, during which Tom mentioned some of the issues raised in the NEPC documents the Board had previously reviewed. At that meeting Tom made clear that he did not favor moving forward with MGG. Carolyn mentioned that with Tom's reservations she did not see the Board continuing to look at MGG. She reported that Tom is best suited to discuss his reservations. Carolyn further noted that if the Board is not interested in continuing to look at MGG, she recommends the Board focus on Monroe. Carolyn said she will come back to the Board at a later date with additional managers.

Hugo reminded the Board that the plan had been to invest in the MGG fund and then re-invest more with Monroe as the first fund wound down. Tom Hickey will now review documents about Monroe. Not all of the new investment with Monroe would take place right away. Carolyn noted that NEPC is comfortable with Monroe, and she does not envision all of the Board's private debt staying with Monroe for too long. The Board discussed revisiting investment with Park Square. Carolyn reminded the Board that Park Square investments were mostly in Europe. Hugo reminded the Board that its previous investment with Park Square underperformed the target returns. Hugo asked Carolyn if she was comfortable with almost all of the private debt portfolio being with Monroe, Carolyn responded that she was.

The Board decided it would like to hear from Tom Hickey regarding his guidance on MGG at the same time as receiving his report on further investment with Monroe.

J. NEPC Workplan and Calendar

Carolyn reviewed the workplan and calendar pointing out that next month is the Quarterly Investment Performance Report. She also scheduled small cap allocation and Sands. Hugo noted that Monroe discussion might also take place and that small cap allocation should move to September.

K. Agenda for October 6th Joint Meeting

Hugo reminded the Board of what the typical agenda for the Joint Meeting includes. Carolyn committed to bringing a draft presentation to the August meeting.

L. Audited Financials for 2020

Hugo reminded the Board that they had approved the audited financials at the previous meeting, pending a few minor changes. The final version was included in the Board Packet.

M. Update on Hiring for the Associate Retirement System Analyst

Hugo reported that he had interviewed candidates as part of the initial panel interview process and a selection of those candidates were scheduled to meet with staff the following week.

The Board took a brief break.

N. Update on Holdbacks

Hugo reported that when employees retire and have a former spouse for whom there might be a community interest in the retirement benefit, retirement staff calculates a holdback for the former spouse based on the time rule. The assumption had always been that former spouses would clear these matters up quickly, but holdbacks have been lasting for years. Hugo reported on speaking to other systems about how they handle holdbacks and reported no consensus or clear answers. Jeff reminded the Board that a DRO was necessary to pay the former spouse.

Russ reported on each of the individual cases in his memo and the special circumstances surrounding each. The Board discussed Francine Murray, and Russ noted that, despite filling out documents stating otherwise, the Murrays appear not to have been divorced when Ms. Murray signed her retirement papers. The Board instructed staff to reach out to both of the Murrays to get questions answered. Russ continued, reporting about Ezell Drumgoole, noting that the California Family Code 755 requires that the former spouse provide written notice of a claim, and, after 20 years, Mr. Drumgoole's former spouse has not. He recommended that Mr. Drumgoole be paid the held back amount and sign an indemnity for the Plan. This amount was roughly \$175,000.

MOTION: Andrichak /Riemer to accept staff's recommendation to repay Mr. Drumgoole the held back amount. (5-0-0-0).

Staff was directed to contact Mr. Drumgoole and determine the best way to pay him.

The Board requested that staff come back with a recommendation about how contact is made with participants and former spouses.

Russ reported about Adrian Scott, noting that the divorce is still pending and the Plan has been joined in the action. He mentioned that the Mr. and Ms. Scott are aware of what needs to be done and have attorneys advising them. He recommended that staff contact Mr. and Ms. Scott if they do not contact staff within 90 days.

Russ concluded his report with Charles Fortune, noting that the Plan was joined in the Fortunes' divorce, but no Domestic Relations Order was entered. The heir of the former Ms. Fortune is responsible for filing the Domestic Relations Order so that payment can be made to him. Russ mentioned that he has been in contact with Charles and the heir.

O. PEPPRA Implementation

Hugo reported that the District has sent the paycodes to the Union; next, the Union, District Counsel, Hugo and Curtis would meet to review them. He also reported that Russ is working on a memo about the PEPPRA Plan Amendment for represented employees.

P. Retirement System Managers Report

Hugo reported that Graham would return to the August meeting to present the actuarial valuation. He also reported that he has had a few discussions with Jill regarding the process for press inquiries and that they are putting something in writing to bring back to the Board at a later date.

Q. Closed Session

Russ reported out of Closed Session that the Board took no action.

R. Adjournment

The Meeting Adjourned at 12:36 p.m.