

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

**ROLL CALL**

Chair Jeffrey Lewis called the meeting to order at 9:03 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; 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: Carolyn Smith, NEPC; Seth Goldman, NEPC; Shawn Parris, JP Morgan; Tom Klugherz, JP Morgan; Joe Schuleman, JP Morgan; Richard Oslund, Director of Management and Budget, Ben Sherry, Mandatewire.

**PUBLIC COMMENTS**

None

**CONSENT CALENDAR**

- A. Approval of Minutes for the August 15<sup>th</sup> Meeting
- B. Approval of Financials for May 2021
- C. Approval of Invoices for \$40,982.63
- D. Approval of Retirements for September and October 2021 and Return of Contributions if Applicable:
  - 1. Elias Partee (September, Pre-Retirement Death)
  - 2. Manuel Sablan (September, Pre-Retirement Death)
  - 3. Gina Teddone (September)
  - 4. Ronald Dew (October)
  - 5. Terence Johnson (October)
  - 6. Gregory Owens (October)
  - 7. Joseph Tating (October)
  - 8. Tonya Lacaze (October, Term Vested)

**MOTION: Andrichak/Riemer** to approve the Consent Calendar with a slight change to the minutes and excluding the May Financials (5-0-0-0).

The Board recognized Elias Partee for 30 years of service, Terence Johnson for 32 years of service, Gregory Owens for 29 years of service, Joe Tating for 38 years of service. The Board took a moment to recognize Joe Tating for his work on training and bus rodeos.

## **REGULAR CALENDAR**

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

Hugo reported that August returns were good as the investment markets continue to have a strong year in 2021. Carolyn began her flash report noting strong performance on the equity side of the portfolio, contrasted with weaker performance on the fixed income side. Year to date the Fund is up 9.5%, exceeding the Plan's benchmarks, and over the last 12-months it is up over 19.3%.. Carolyn pointed out that most of the active managers have been outperforming their benchmarks, particularly those in domestic equity. The Credit portion of the plan has been outperforming its benchmark as well.

### **F. Investment Policy Update**

Hugo reported that some additional changes need to be made by Carolyn, and the material will be presented to the Board in October.

### **G. Real Estate Asset Class Education**

Since a real estate manager was presenting at the meeting and NEPC would most likely recommend increasing the Plan's allocation to real estate investments, Hugo recommended providing some education about real estate investments, especially for newer members of the Board. Seth Goldman from NEPC's private market research team joined the meeting to lead the discussion. Seth began his presentation by discussing the universe of real estate investment opportunities and how those investments provide returns. He noted the diversification benefit and low correlation to traditional stocks and bonds. Considerations for this type of investment include low liquidity and lack of benchmarking. Hugo reminded the Board that the Plan currently has \$37 million invested in real estate, of which about 80 percent is invested with core real estate managers.

Seth continued by describing the differences between core and non-core and different sectors among core real estate as well as their relative risks. The presentation included a discussion of liquidity of different real estate investment types, as well as open and closed end vehicles. The Board discussed REIT correlation to the broader equity markets and the lower correlation of private real estate investments. Seth's presentation discussed the types of benchmarks that can be used for real estate investments.

Carolyn briefly reviewed the Plan's current real estate holdings, and the changes in real estate markets during and after the 2008 Financial Crisis, as well as the Plan's history with real estate investments. She reminded the Board that its current target for real estate is 5% of funds, and currently the Plan has about 4% in real estate. The Board discussed metrics for real estate investment performance.

Seth discussed NEPC's outlook on different properties, including the impact of COVID-19. He described the types of real estate that represent opportunities that have improved with

COVID-19. The Board discussed private real estate and the quarterly valuation of assets, as well as how property values have changed over the last six quarters. The Board also discussed the need for real estate transaction activity to provide valuation on properties and the future of core office buildings in large cities.

The Board took a brief break.

#### H. JP Morgan Portfolio Presentation

Hugo introduced the presenters from JP Morgan and had each board member introduce themselves. After some introductory remarks from Shawn Parris, Tom Klugherz began his presentation, noting the uncertainty that the real estate market has experienced in the last year, but also highlighting its rapid recovery in 2021. Tom discussed the fund's returns since its inception nine years ago and the fund's performance against the ODCE Benchmark. Tom noted that one reason the fund has been behind the Benchmark is its being underweight in industrial real estate but noted the large pipeline of industrial real estate properties. The Board asked about diversity at J.P Morgan and asked that they provide some statistics about recruitment and individual positions or groups of positions. The Board discussed differences in office occupancy rebounding in San Francisco versus other large cities. The Board asked questions about short-term and long-term uncertainty for office occupancy and how that would affect JP Morgan's holdings.

#### I. NEPC Workplan

Carolyn discussed her plan for the October meeting, which will include continuing the real estate discussion with a recommendation, as well as the annual fee review.

#### J. Possible Investment with Monroe

Hugo reported that Tom Hickey needs documents from Monroe, but Monroe has been focused on the current "close" and will work on our material later in the month. Hugo anticipated the Board obtaining the information from Tom at the October or November meeting.

#### K. Employment Data from Dodge & Cox and Sands

Hugo reported that he had received some of that data the Board had asked for, but he had some additional questions, and the data should be available for the October meeting.

#### L. Joint Meeting Draft Presentations

Hugo reported that there was still a little time to make changes to the Joint Meeting presentations. The Board recommended a few minor changes to Carolyn's presentation that she would send back to Hugo this week. The Board discussed whether Board meeting materials were arriving in Board Members hands sufficiently early for review.

#### M. Draft Semi-Annual Report

Hugo reminded the Board that a report goes to the District Board twice a year, and that Jeff has reviewed this iteration and the Board should make any comments or changes before the

report is sent to the District. The Board authorized Hugo to put Jeff's signature on the report and send it to the District.

N. Update on COVID-19 District and Department Activity

Hugo reported that associate analyst Cris Gille's transition to the team is going well. The District is still sending out reports each time an employee is diagnosed with COVID-19 and, due to the delta variant and increased case numbers, has pushed back the date for returning to the office. The Board discussed how it should plan for future meetings and whether meetings can continue to be remote. For now, the Board will continue to monitor how the District Board meets.

The Board discussed what happens when active employees die and what actions staff should take if an employee is not vested at the time of their death. Staff has concluded that they should let the benefits department know whether deceased employees are vested, and the benefits team can refer survivors to the retirement team as necessary. The Board instructed staff to reach out to the families of deceased employees who are eligible for a retirement benefit but not to contact the families of employees who are not entitled to this benefit.

O. PEPRA Plan amendment, and PEPRA Implementation

Hugo reported that the Board should see three memos regarding the PEPRA plan amendment at the October Board meeting. Since the memos will take time to read and process, Hugo will try to get those memos to Board members as early as possible prior to the next meeting.

P. Benefits Statements

Hugo reported that benefits statements are being printed by the actuary and today's Board Packet includes a letter that goes with each benefit statement. He noted that there is a paragraph that includes Retirement staff visiting the divisions, but that may not be possible. The Board directed Hugo to send the letter as drafted.

Q. Update on Holdback project

Hugo reported that staff would prepare a more complete report for October to include an update on the largest four holdbacks and the progress on other holdbacks.

R. Press Inquiry Process

Hugo reported no additional progress on the Press Inquiry Process.

The Board took a brief break.

S. Closed Session

The Board went into closed session with respect to Item T on the Agenda. When the Board returned to Open session, Russ reported that with respect to item T1, the Board unanimously granted the Occupational Disability application of Patricia Givens, effective September 1, 2020. The Board also took action with respect to the Occupational Disability application of Anjenette Brown, with the Board unanimously granting that application with an effective date of November 1, 2020. The Board took action with respect to the Total and Permanent

Disability application of Curtis Fullard, with the Board unanimously granting that application with an effective date of April 1, 2021. Lastly, with respect to the Total and Permanent Disability application of Taza Corral, the Board unanimously approved that application with an effective date of May 1, 2021. The votes were all (5-0-0-0) in Closed Session.

T. Adjournment

The Meeting was adjourned at 12:50 p.m.