

**Approved Minutes
Meeting of the
AC TRANSIT RETIREMENT BOARD
September 15, 2022**

ROLL CALL

Chair Jeffrey Lewis called the meeting to order at 9:02 a.m.

Members Present: None
Present by Zoom: Chair Jeffrey Lewis, Vice Chair Josette Moss, Davis Riemer, Chris Andrichak, Robert Coleman
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; Cris Gille, Retirement System Associate Analyst. The following attendees attended all or part of the Open Session: Joel Young; District Board Liaison; Chris Peeples, District Board Liaison; Murphy McCauley, District Board Member; Carolyn Smith, NEPC; Audrey Elbert, Williams Adley; Kenneth Yu, Williams Adley; Cindy Krebs, Alliance Resource Consulting; Emily Cruz, Human Resources Manager; Raj Semanpati, HarbourVest; Teri Noble, HarbourVest

PUBLIC COMMENTS

None

CONSENT CALENDAR

- A. Approval of Minutes for the August 18th Meeting
- B. Approval of Financials for April 2022
- C. Approval of Invoices for \$203,663.15
- D. Approve Resolution Regarding Remote Meetings Pursuant to AB361
- E. Approval of Retirements for August and September and Return of Contributions if Applicable
 - 1. Sandra Keys (September)
 - 2. Lisa Bigbee (October)
 - 3. Keith Fields (October)

4. Richard Hobdy (October)
5. Cheryl McDowell (October)
6. Michael McNamara (October)
7. David Savio (October)
8. Doris Watson (October)
9. Ronald Yasin (October)
10. Paul Baffico (Return of Contributions)
11. Nicole Steward-Crooks (Return of Contributions)

MOTION: Andrichak/Coleman to approve the Consent Calendar with minor updates to the minutes (5-0-0-0).

The Board recognized Richard Hobdy for 37 years of service and Ronald Yasin for 25 years of service.

REGULAR CALENDAR

F. Update on COVID-19 Department and District Activity

Hugo reported that starting October 10th employees would be returning to work at the General Office three days a week. Mike Hursh reported that there would be a mask mandate in place on our buses, as long as BART maintains its mandate, to avoid passenger confusion about the rules. Director Peeples reported that the federal COVID relief money runs out at the end of June in 2024 and that there is legislation in progress for regional transportation funding.

G. 2021 Financials

Hugo introduced Audrey Elbert, the Engagement Manager from Williams Adley and Kenneth Yu. Hugo reported that the District contributed \$1.5 million less to the retirement plan than it should have, and the Financials had been delayed while the cause of the difference was being researched. Hugo and Williams Adley recommend that the Board approve the Financials as presented, and Williams Adley will prepare a management letter to discuss the difference.

As far as addressing this issue in the future, Hugo reported that on a monthly or quarterly basis the retirement system will review the District contributions and make sure they are computed according to the Actuarial Valuation. The Board asked questions about how the contribution difference was missed as well as how the process would be changed to prevent errors in the future. Audrey reported that her firm's process for the management letter would include vetting the facts of the situation again and assessing whether the promised new steps had actually been put in place. Hugo mentioned that updating the Financials to take into account the \$1.5 million that is owed by the District would cost far more than the benefit the system would gain by having updated Financials. The Financials are substantially correct as presented, and Williams Adley, the District and Hugo recommend that no changes be made

to the Financials. Hugo mentioned several times that the \$1.5 million that the District owes the Retirement System will be paid in October or November.

MOTION: Coleman/Riemer to approve the Financials, with knowledge that a management letter and additional standard communications from the auditor are still to come. (5-0-0-0).

H. 2022 Actuarial Valuation

Graham reviewed his Actuarial presentation in a new format that he also intended to use for the Joint Meeting with the District Board. Hugo began the report noting that the numbers are essentially identical to what Graham presented to the Retirement Board at its July meeting. Graham reviewed a web version of the presentation and the Board requested that he use the prior format at the Joint meeting. The Board requested that Graham remind the District Board that the assumed rate of return is the same as the discount rate. Graham reported that he would send the version of the presentation to be given at the Joint Meeting to both Hugo and Jeff for comments before the meeting in October.

The Board discussed the possibility of smoothing out the employer contributions to help the District meet its financial goals in outlying years. The Board will discuss smoothing at a future meeting. Graham discussed the Board's decision-making process in arriving at the payoff amounts for the unfunded liability, including the layering of those liabilities. Graham also discussed stress tests for the plan including -10% and -15% return on investments in 2022 with 6.75% in outlying years.

MOTION: Andrichak/Coleman to accept the valuation as presented (5-0-0-0).

The Board took a brief break

I. Recruitment Process for the Retirement System Manager Position

Hugo reminded the Board that he intends to retire from his position at some time in 2023 and that there is an agreement between the Retirement Board and the District Board spelling out how the hiring of the Retirement System Manager (RSM) should proceed. The District will handle the recruiting with the Retirement Board's input and present three candidates to the Retirement Board. The Board can say yes or no to those candidates or ask for more. Cindy Krebs from Alliance and Emily Cruz from HR joined the meeting to discuss the recruitment process and talk about the draft brochure. The brochure was in the Board Packet in two formats so the Board could decide which they prefer, and Cindy presented a proposed calendar. The Board expressed a preference for the four-page version of the document and asked that language be added to specify that the position is for a defined benefit plan. Hugo mentioned that he has had numerous discussions with the District and the process so far has been very collaborative. He assumed this would continue in working with Chris Andrichak and Emily.

MOTION: Riemer/Coleman to approve the text with the changes suggested to be addressed by Hugo and the District.

Cindy reviewed the timeline with an application deadline of October 14th, a progress meeting the week of October 24th, and final interviews by December 5th. She also discussed the types of outreach her firm intends to engage in. The Board agreed on a sub-committee of Hugo, Chris Andrichak and Josette Moss to attend the October 24th progress meeting, and Russ reported that, since that sub-committee is less than a quorum, they would be exempt from Brown Act requirements. The Board also determined, after hearing from the General Manager, that the first round of interviews does not need to be conducted before a panel composed of outside panelists. The GM mentioned that in this particular recruitment he was willing to waive the requirement for a totally non AC Transit panel.

J. Schedule an AB 361 Meeting in Late September/Early October

After a brief scheduling discussion, the Board set a meeting for 9:00 on Friday October 7th.

K. Joint Meeting and Retirement Board Meeting on October 19th as possible Hybrid or In Person Meetings

Hugo reported that the Retirement Board would not be able to use the large District Boardroom on the morning of October 19th, and recommended that the Board meet remotely in the morning and come into the General Office for the Joint Board Meeting in the afternoon. The Retirement Board may also be able to meet on the 10th floor, which is already set up for hybrid meetings, so Board members could choose whether to attend in person. Hugo will report on a plan for the October 19th meeting at the Meeting on October 7th.

The Board took a brief break.

L. HarbourVest Presentation

Carolyn reminded the Board that as part of NEPC's capital market assumptions they were recommending the addition of private equity to the Plan to help it reach its return assumptions. Because of the timing of capital calls by any Private Equity managers the Board hires, it will take time to reach the Board's target allocation for this asset class. The Fund NEPC is recommending deals in secondaries which reduces the J curve and increases exposure to the asset class sooner rather than later.

Raj Semanpati and Teri Noble from HarbourVest joined the meeting to make their presentation. Raj introduced the concept of secondaries in private equities. He described the advantages of investing in them over other types of private equity. He reported that as the market for private equities has grown so has the amount of turnover in those investments. Hugo asked about valuations of assets in the private equity market especially with asset prices trending downwards and the lag in private market asset pricing. Raj described the process HarbourVest uses to avoid assets that are overvalued. Raj also reported that often

HarbourVest is able to purchase secondaries from primary holders who are rebalancing their asset allocations.

In response to a question from the Board about what types of transactions HarbourVest engages in, Raj reviewed the types of complex transactions in which HarbourVest invests. The Board asked about what kinds of mistakes HarbourVest has made on previous iterations of the funds and what it is doing to avoid similar mistakes. Raj described a previous over-allocation into venture funds as well as a lack of time diversification. The Board asked about how it could liquidate its share of the fund if it needed to and what the associated costs would be. Raj reported that the Board could sell its interest to a list of approved secondary buyers and expect about a 25% reduction in price from the valuation of the assets by HarbourVest. The Board also asked about reputational risk and whether HarbourVest avoids managers who engage in significant layoffs. Raj indicated that because of their fund of fund structure, they are not able to exercise that level of control over management decisions.

M. Next Steps in Private Equity Investment

The Board discussed the next steps in the process, including possible commitment of \$20 million and from which investment class the \$20 million would come from. Carolyn reported that the money would come from the fixed income portfolio, resulting in an increase in the percentage allocated to equities due to the reduction of fixed income. Carolyn recommends that the Board still consider this private equity investment despite improved return expectations of both stocks and bonds. . The Board discussed the risk associated with private equity investments and how that compared to what the Board heard in HarbourVest's presentation.

MOTION: Coleman/Andrichak to tentatively move forward and retain Tom Hickey and his successor at his firm to review the HarbourVest investment documents and report on them to the Board.

MOTION: Andrichak/Riemer to authorize Hugo to retain Tom Hickey and negotiate with Tom on his fee.

N. Portfolio Rebalancing Update

Hugo reported that the market has been volatile lately so he has moved \$5 million and will continue to do so every week or two until the rebalancing authorized by the Board in August is complete.

O. Investment Performance, Rebalancing and Asset Allocation

Hugo reported that the Fund is still down sharply for the year, along with the equities market.

P. Joint Meeting Draft Presentation

Carolyn previewed her proposed Joint Meeting presentation. She focused on a slide indicating investment allocations at other public funds and paid particular attention to other funds' investments in private equities. The Board requested that a few slides be shifted and recommended that Carolyn emphasize a few important points about ESG and Private Equities, as well as having Russ raise some of his previous concerns about the complications of ESG investing as it pertains to the Board's fiduciary duty.

Q. NEPC Workplan

The Board pushed its continued ESG discussion to the October meeting. The Board decided to push its manager reviews from October to November.

R. Update on Benefits Statements

The Board decided to add the expected increase of the employee contribution to 7.00% in 2023 to the letter that accompanies the Benefit Statements.

S. Calendar for 2022

Hugo reported a correction to one of the dates in the published Board Meeting calendar, noting that the meeting had been moved to November 21.

T. Holdback Update

Hugo reported that staff had made progress on the holdback list and would bring a memo to the October Meeting.

U. Evaluation of Service Providers

Jeff reported that Russ would bring an opinion to the October meeting about the Board's obligations for Service Provider Reviews.

V. Closed Session

Russ reported out of Closed Session that, with respect to Item Z1a the application for Occupational Disability Retirement Benefits for Danielle Pierre, the Board voted unanimously to continue the benefit for Ms. Pierre and waive the conditions it had imposed upon that grant and noted that it is not going to impose any future conditions.

With Respect to Item Z1b the application for a Total and Permanent Disability filed by Shawn Cooks, the Board unanimously approved the application with a retroactive effective date of June 1, 2022.

W. Continued review of Draft Joint Meeting Presentations

The Board recommended a slight change to Russ's Draft presentation for the Joint Board Meeting.

X. Adjournment

Retirement Board
September 15, 2022

The Meeting was adjourned at 1:37 p.m.