ROLL CALL

Chair Jeffrey Lewis called the meeting to order at 9:06 AM

Members Present: Sue Lee, Davis Riemer, Joyce Willis, Vice Chair Yvonne Williams, and Chair Jeffrey Lewis

Absent at Roll Call: None

Members Absent: None

Also Present: Hugo Wildmann, Retirement System Manager; Adelle Foley, Retirement System Administrator; Russell Richeda, Legal Counsel; (the following individuals were at part of the meeting): H.E. Christian Peeples, District Board President and Liaison; Michael Hursh, AC Transit General Manager; Denise Standridge, AC Transit General Counsel; Carolyn Smith and Kevin Novak, NEPC; Ted Simpson, and David Kershner, DFA.

PUBLIC COMMENTS

None

CONSENT CALENDAR

MOTION: WILLIAMS/WILLIS to adopt the Consent Calendar. (5-0-0-0)

Ayes: Members Lee, Riemer, Willis, Vice Chair Williams, and Chair Lewis - 5
Noes: None
Abstain: None
Absent: None

APPROVED

A. Approval of Minutes for November 12, 2015
APPROVED

B. Approval of Invoices for the Amount of $376,522.41
APPROVED

C. Approval of Financials for October 2015
AC Transit Retirement Board  
December 10, 2015  

APPROVED  

D. Approval of Retirements for January 2016  

1. Elbert Alexander  
2. Hubert Bennett  
3. Ingrid James  
4. Lynda Neal Mailo  
5. Patricia Neal  
6. Robert Tinoco  
7. Gerald Young  

APPROVED  

REGULAR CALENDAR  

Hugo reviewed the order of the agenda, including the timing for outside presenters.  

E. Appointment of Negotiator to Discuss Compensation with the Retirement Manager  

Chair Lewis told the Board that it would appoint two negotiators and provide guidance for the process.  

MOTION: WILLIAMS/RIEMER to appoint Chair Lewis and Member Willis as negotiators, assisted by Counsel Richeda. The results would be expected by the next meeting. (5-0-0-0)  

The Board went into Closed Session at 9:11 AM.  

F. (CLOSED SESSION)  

Conference with Negotiator  
(Government Code Section 54957)  
Negotiator:  
Employee: Retirement System Manager  

Public Employee Performance Evaluation  
(Government Code Section 54957)  
Title: Retirement System Manager  

Report and/or Action on Closed Session Items  

(Member Lee left the meeting at this point.)  

The meeting reconvened at 10:02 AM.
Counsel Richeda reported:

That the negotiating team had agreed on a salary proposal, effective January 1, 2016, and met with Retirement System Manager, Hugo Wildmann. The new salary will be $165,000 a year. The Board directed Counsel Richeda to restate Hugo Wildmann’s contract accordingly.

Hugo told the Board the Closed Session would continue later in the meeting, with regard to disability applications and anticipated litigation.

(Member Lee rejoined the meeting at this point.)

G. Approval of Retirements for December 2015/January 2016 with conditions, if any.

1. Bill Raye #40774 (December).
2. Modistine Johnson #32064 (January) -- Completion of Benefit Option by the end of December.
3. Justine Sutton #33311 (December)
4. Deborah Trautner #32857 (December)
5. Hernan Vargas #41636 (December) – Hold back estimated amount pending completion of Domestic Relations Order with his former spouse.

Member Lee raised a question regarding calculation of years of service for employees who started as direct hires (and therefore not eligible for retirement benefits).

MOTION: Riemer/Williams to approve the six retirements listed above with the conditions as noted (5-0-0-0).

The Board congratulated Patricia Neal for 32 years of service, Lynda Neal Mailo for 30 years of service, and Amini Elbert Alexander and Hubert Bennett for 29 years of service.

(Carolyn Smith and Kevin Novak, NEPC, joined the Board for Agenda Items H, K and L.)

H. Asset Allocation and Investment Manager Update

Hugo distributed the November preliminary asset allocation table. He reviewed the asset classes which were over or under their targets and potential changes to bring them back in line. Carolyn told the Board that making small adjustments keeps allocations from moving far out of line.

Small Cap equity was below its target allocation, international and emerging markets were under their targets. SSgA index fund was over and emerging market debt was under. Hugo pointed out that private debt managers should be really close to their policy range when they have called for all of the committed capital. Emerging market managers had not done well, causing them to be under their target. Hugo
recommended that $6 million be moved from DFA, small cap equity to Capital Guardian (international equity) and half to emerging market equity (Evan Vance and City of London.) He mentioned that this most likely would not take place until January.

**MOTION:** RIEMER/WILLIAMS to accept Hugo’s recommendation and move $6 million from DFA to international equity and emerging market equity. (5-0-0-0)

Hugo said that fixed income adjustments would be made after the first of the year. Carolyn and Chair Lewis recalled that the broad allocation had been reviewed about six months ago.

Kevin distributed the NEPC Investment Performance Report (Flash Report) as of November 30, 2015. Hugo remarked that he expected the fund to show no net change for 2015, which means results 7.25% below the expected return.

Kevin noted that overall, the fund was up 1.1% through November. Large and small cap equities were positive for the year, reflecting positive economic news from the US. International markets had been volatile, and emerging market equities were down 13% through November. City of London outperformed the index, but still lost 9%. Private debt results lag by about six months, but Carolyn expected Real Estate and Private Debt to show the strongest results for the year. She added that NEPC will provide information on 2015 investment results at both the January and February meetings.

I. Update on Brookfield Non-Core Real Estate Manager

Hugo told the Board that outside Counsel Tom Hickey reported that there were significant differences between Brookfield and AC Transit, and he had almost exhausted the maximum of his engagement of $8,500. Brookfield objected to portions of the proposed side letter and proposed additional language as well.

Hugo suggested that he and Russ talk with Brookfield attorneys to explore if a resolution was possible. If they felt it was after this discussion a call would be set up with Brookfield and Tom Hickey.

**MOTION:** RIEMER/WILLIS to authorize Hugo to pursue the discussion with Brookfield, and to use Tom Hickey at an additional cost of up to $7,500. (5-0-0-0)

(The Board went into Closed Session and Mr. Dunhams and Mr. Chrisman each participated in discussion of their respective applications).

F. CLOSED SESSION (CONTINUED)

a. Arsenia Legaspi – Total and Permanent Disability  
b. Ray Dunhams – Total and Permanent Disability  
c. Terence Chrisman – Total and Permanent Disability  
d. Kelvyn Johnson – Occupational Disability  
e. Michael Jefferson – Total and Permanent Disability  
f. Lua Lanell – Occupational Disability  
g. Bridget Toles – Total and Permanent Disability  
h. Linda Young – Total and Permanent Disability  
i. Kevin Dickerson – Total and Permanent Disability  
j. Bernard Ellis – Total and Permanent Disability  

2) Matters Relating to Pending or Threatened Litigation  

   a. Conference with Legal Counsel – (Government Code Section 54956.9(a)):  
      1) Pension Calculations for James Gardner and Other Former Union Officers  
      2) Appeal of Denial of Total and Permanent Disability for Aubrey Johnson  

(RESUME OPEN SESSION)  

1) Report and/or Action on Closed Session Items  

There were no actions to report.  

(Chair Lewis called a recess at 11:30 AM)  

(The Meeting reconvened at 11:40 AM)  

(Ted Simpson, and David Kershner, DFA joined the discussion of Agenda Item K.)  

K. Investment Portfolio Presentation by DFA  

The DFA representatives gave a 45 minute presentation that included numerous questions from the Board.  

Ted referred to the Dimensional booklet that was distributed with the Board Package. Dave noted that AC Transit invests in two asset classes with DFA: small cap domestic equity and international small cap value. He told the Board that his firm believes that markets function well, but that small companies outperform the general equity markets over time. DFA believes that small cap and value stocks deliver a long-term premium. Their portfolio is not designed to track the index. They do not buy unseasoned IPOs or high-price, low profit stocks. Their target in the small cap U.S. equity portfolio is to outperform the Russell 2000 by 100 to 150 basis points.  

Carolyn discussed the difference between a mutual fund and a trust, preferring the trust because it is generally not affected by cash flow. Dave stressed that DFA invests in the cheapest 33% of the value category, seeking exposure to low-cost
stocks. They do not invest in REITs or target regions, nor is their portfolio based on the MSCI index. They believe that cheap stocks outperform. Their success is based on patience and trading discipline.

The Board thanked Ted and Dave for their presentation.

N. Final 2015 Actuarial Valuation

Hugo referred to the 2015 actual valuation, included in the Board Package.

O. Semi-Annual Report #2 for 2015 – Final Version

Hugo referred to the final version of the Semi-Annual Report #2 to the District Board, included in the Board Package.

MOTION: RIEMER/LEE to adopt the 2015 Actuarial Valuation. (5-0-0-0)

R. Pension Benefit Calculations for Former Union Officers (Gardner)

No Action

S. Hearing Officer Update

Vice Chair Williams said that she would check with her Local’s attorney.

(Mike Hursh, AC Transit General Manager, and Denise Standridge, AC Transit General Counsel, joined the Board for Agenda Item P)

P. PEPRA Update

Hugo told the Board that AC Transit General Counsel Standridge will meet with him regarding the District Board 170 process. General Counsel Standridge and General Manager Hursh will meet with the union. She said that there had been no court decision. General Counsel Standridge is researching the approach taken by CalPERS.

Q. Possible Cost Analysis of District Loan Proposal

Hugo recalled that he had told the Board at the November meeting that there had been some discussion at a District Board meeting of the District borrowing Retirement System funds to invest in the Transbay Terminal.

Director Peeples told the Board that a request from the District for a loan is only a possibility, and at present the question is how much it would cost to analyze such a loan. The Board stressed that any loan would have to be evaluated within the retirement Fund’s asset allocation strategy, and within the context of the Retirement Board’s fiduciary responsibilities, particularly for a sizeable investment.
Director Peeples said that he was asking for a rough estimate of what an analysis would cost. The Board directed Hugo and Counsel Richeda to provide an estimate. However, the Board was highly skeptical about the likelihood of moving forward with the loan.

L. NEPC Work Plan
J. Growth vs. Value Investment Presentation
   The Board will discuss Growth vs Value in January and hear from one investment manager.

M. 2016 Calendar
   Chair Lewis told the Board that he may not be able to attend the February Board meeting as currently scheduled.

T. Retirement System Manager Report:
   1. CALAPRS 2016 Calendar
   2. CALAPRS General Assembly, March 6-8, 2016
      Hugo referred to the material in the Board Package and encouraged Board Members to attend these sessions.
   3. Division Visits
      Well attended. Coordinated with Benefits and deferred compensation.
   4. Department Workload
      Extremely busy.

STAFF COMMENTS

None

RETIREMENT BOARD COMMENTS

None

ATTORNEYS’ REPORT

None

ADJOURNMENT

MOTION: WILLIAMS/LEE to adjourn (5-0-0-0)

The meeting adjourned at 1:26 PM