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

Members Present: Chair Jeffrey Lewis, Davis Riemer, Joyce Willis, Vice Chair Yvonne Williams
Absent at Roll Call: None
Members Absent: None

Also Present: Hugo Wildmann, Retirement System Manager; Pavit Masson, Bertina Ng, Retirement System Analyst; Russell Richeda, Legal Counsel; Graham Schmidt, Anne Harper Cheiron; Carolyn Smith, NEPC

PUBLIC COMMENTS

None.

CONSENT CALENDAR

A. Approval of Minutes for September 14, 2017
   Approval of Minutes for September 19, 2017

B. Approval of Financials for August 2017

C. Approval of Invoices for $51,574.77

D. Approval of Retirements for November 2017:

   1. Jacqueline Bowler
   2. Anthony Cleveland
   3. Kathleen Eichmeier
   4. Victoria Einhaus
   5. Louie Rios

   The Board congratulated Jacqueline Bowler for 29 years of service, Anthony Cleveland for 28 years of service, and Louie Rios for 33 years of service.

MOTION: WILLIAMS/WILLIS to approve the consent calendar. (4-0-0-0)
REGULAR CALENDAR

E. Resignation of Sue Lee from the Retirement Board – Hugo Wildmann

Hugo mentioned that Sue Lee had submitted a resignation letter dated September 20th. Hugo reported that he had spoken to the District Secretary and she had told him that the District Board would discuss naming a replacement at their October 25th meeting.

G. Investment Performance, Rebalancing and Asset Allocation – Hugo Wildmann, Carolyn Smith

Hugo informed the Board that due to the early date of the meeting we did not have month end investment reports. He also informed the Board that $16 million out of the $19 million that needed to be transferred as a result of our rebalancing activities has been moved. The remainder will be moved by the next meeting.

H. Update on Possible Hiring of Landmark - Hugo Wildmann, Carolyn Smith

Hugo mentioned that the following two agenda items are very related. He recommended that the Board authorize him to tell Landmark that subject to the approval of the legal documents we would like to commit $5 million to Landmark Fund VIII. He reminded the Board that we needed to let Landmark know by mid-October if we wanted to ensure we could place funds in this fund.

I. Hiring of Tom Hickey to Review Landmark Agreements – Hugo Wildmann

Hugo recommended that the Board hire Tom Hickey to write a memo pertaining to his views on investing in the Landmark fund and have Tom negotiate a Side Letter if he deems it necessary. This is the type of work Tom has done on our behalf in the past. Carolyn confirmed that $5 million is the amount we are investing.

MOTION: WILLIAMS/RIEMER to authorize Hugo to inform Landmark of the intention of investing $5 million with them, subject to Tom Hickey reviewing the legal documents and the Board discussing Tom’s findings. The Board authorized paying Tom up to $8,500 for his services. (4-0-0-0)

J. Joint Meeting – Hugo Wildmann

L. NEPC Work Plan for 2017 – Hugo Wildmann, Carolyn Smith
Hugo informed the Board that as of the end of August, the Plan was up 10%. Given September's market performance, he thought the plan was up more than 11% YTD.

Carolyn stated that the only new item on the Work Plan is the private debt update. She says that we are below target and are getting money back from both investments, so she wants to have a discussion about that in the next few months. The two investments are Crescent and Park Square.

Vice Chair Williams asked if the replenishment is done automatically through a rollover. Carolyn responded by stating that it is a closed-end fund, which has a short investment period for three years while loans are being made, during which time we are receiving income immediately. She went on to explain that there is no recycling of capital in the current phase, where loans are being repaid and we are receiving principal back. In order to maintain the same percentage of assets in that investment, we need to replenish it. Carolyn informed the Board that Crescent is offering another fund, but her research team is not recommending it.

Carolyn also explained that some of our real estate portfolio is “evergreen”, and when properties are sold the proceeds go into another property. However, what we have with Brookfield and Westport are closed-end funds while JP Morgan and UBS are not.

M. Calendar for 2017 - Hugo Wildmann

There are no comments on the calendar. Hugo informed the Board that next month he will bring the calendar for 2018. The Board confirmed that the second Thursday of each month will be the meeting date for 2018.

N. Plan Amendment – Hugo Wildman, Russ Richeda

Russ and Hugo worked with Denise on this last week. Hugo informed the Board that the PEPRA Plan Amendment will be coming to the Board in November, along with a memo from Russ and Hugo. The Plan Amendment would then go to the District Board in December.

O. Benefit Statements and Letter - Hugo Wildmann

Hugo informed the Board that Benefit Statements will be going out in about two weeks. He also informed the Board that in November, Retirement Staff along with Benefits Staff and for Mass Mutual will be going to the Divisions for our annual visits.

Vice Chair Williams asked if we will be scheduling a workshop for ATU members. Hugo responded that there have been seminars on Saturday mornings at ATU where we go over
the plan with members, and someone from Benefits (usually Rachel) has been there. The Board requested that this item be placed on the agenda for next month.

P. Status of Retirement System Analyst Position – Hugo Wildmann

Hugo informed the Board that he has been working with someone in the Labor department and Albert’s position will be ending in a few days and he has some time to appeal, which Hugo needs to talk to Labor about. Until that is decided, HR does not want to move forward with finding a replacement.

Chair Lewis wanted to mention that the Board recommended that Albert be given the chance to resign so that he could re-apply, but the District did not want to do that. He added that if we are unable to find any suitable replacement, then perhaps we could go back and modify those terms. Hugo reassured the Board that he did all he could to convince the District.

Q. Possible Hiring of New Retirement System Analyst – Hugo Wildmann

Hugo would like to ask the Board for authority to post for an analyst position and begin the hiring process for that once there is an opening.

**MOTION: RIEMER/WILLIAMS** for Hugo to move forward with the hiring process once the District decides it is appropriate time to do so. (4-0-0-0)

R. Summary Plan Description (SPD) – Hugo Wildmann, Russ Richeda

Hugo informed the Board that the SPD is pre-PEPRA and distributing it now is an issue if some current employees are subject to PEPRA. There may also be some retroactive issues going back to people who transferred from AFSCME to Non-Rep after 1/1/2016. Russ and Hugo think that the safest course is to hold off on distributing the SPD.

Russ reminded the Board that the SPD was last reviewed in 2006 and there have been numerous plan amendments since then. Russ believes that most of these will not require a re-drafting, but he has seen the SPD used against us in a previous case. Russ also mentioned the issue of the new plan amendment that will be adopted by the District Board in the next few months, which will also require modifying the SPD. Given all of this, Russ believes we should suspend distribution of the SPD, or have a partial suspension with a cover note.

Member Riemer asked what we are mandated to do regarding an SPD and is nervous about the upcoming plan amendment being repeatedly postponed. Russ responded that there is
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no statutory obligation, but we all agree that we should have an SPD available to participants.

Vice Chair Williams expressed concerns pertaining to the memo and the status of ATU members and PEPRA. She would like the SPD distributed with a cover sheet. There was some debate about this issue of distributing the SPD with a “cover sheet” or not distributing anything. There was also discussion regarding the issue that ATU members may be subject to PEPRA in the future, and whether or not we should be informing them that their plan is subject to change.

Hugo mentioned that the SPD has not been distributed and Vice Chair Williams asked when this began. Hugo mentioned that he has not been distributing it at the New Employee orientations for a fairly longtime. Vice Chair Williams was concerned about this because in her view benefits for ATU members have not been changed. She believes that if the Board is going to make a decision not to distribute the SPD, then the plan participants should know that and be made aware of that. Secondly, she thinks that if the issue is whether or not the plan participants know that their benefits might change, they should know that too. For right now, since the SPD has not been handed out for some unknown amount of time, then that should continue. It was decided that no memo needed to go out pertaining to the SPD.

After a lengthy discussion, the Board decided that Russ and staff will draft a memo that will enable the SPD to be distributed to some employees once the Board approves the memo. Chair Lewis stated that the Board should decide by the December meeting what to do. The Board also gave Hugo approval to no longer distribute SPDs.

S. Brown Act and Posting of the Agenda – Russ Richeda, Hugo Wildmann

Russ went over the memo and summarized each of the three points. He summarized the first point regarding the regular meetings on the second Thursdays of every month. He moved onto item #2 and re-stated that for meetings on other days, we have to have to post a Notice of Cancellation. He then moved onto item #3, which deals with posting meeting notices and agendas on the District website. He mentioned that it is not technically required by the Brown Act, but we all agree it’s a good idea and Staff has resumed doing so.

K. Presentation by Current Fixed Income Manager – PIMCO

Carolyn gave the Board an introduction to PIMCO and went over some of the terminology on page 6, including yield to worst, maturity vs. duration, and OAS. She said, simply put, OAS is option-adjusted yield, which represents how much additional yield the investor is receiving above treasuries. Carolyn went over some other information about our
investment with PIMCO. Member Riemer noted that what we are invested in should be stated more explicitly in the presentation.

The meeting was in recess from 10:30 a.m. to 10:36 a.m.

Mark Romano from PIMCO, who was here in lieu of Matt Clark, introduced himself and Stephanie (Steph) Soltis introduced herself.

Mark stated that our investment is with the PIMCO Diversified Income Fund. He stated that the benchmark they use is a mix of 1/3 Emerging Markets, 1/3 High Yield, and 1/3 Global Investment Grade. He mentioned that they are allowed to, and often do deviate from their benchmark.

Mark took us to page 10 and went over the yields for different types of investments. He informed the Board that as of June, we had $40.9 million invested in the portfolio.

Mark went to page 6, showing a snapshot of the credit market. He spent some time going over the line charts on the right and explaining the concept of Option Adjusted Spreads. Chair Lewis asked that the next time these types of explanations should be included in the material and that our material was missing the appendix.

Mark and Steph went over a few pages, discussing emerging markets and GDP projections, and other issues pertaining to investment performance.

Member Riemer mentioned a few items. First, he would like it stated explicitly that we are invested in a mutual fund. Second, he would like to see the appendix, and third, that he would like to see terminology such as OAS defined.

V. Retirement System Manager Report:

ii. Emails from UNITE HERE Pertaining to Brookfield

Michael Pineschi from UNITE HERE introduced himself. He explained that in August, Brookfield agreed to a process that would let workers decide whether or not to join a union in its properties, such as the Hard Rock in Las Vegas. However, on September 8th, there were charges against the Hard Rock, alleging that the Hard Rock told employees it was futile to engage in collective bargaining. Michael introduced two workers, Elba and Maria, who read written statements going over their background and work history, and asked that we urge Brookfield to allow workers at its properties to unionize.
Michael also informed the Board that Brookfield has owned the Hard Rock since 2012 and has great influence in how these situations are handled. Chair Lewis asked what it would be most useful to do and Michael said that it would be sufficient for the Board to write a letter to Brookfield, urging them to use the same process in Las Vegas as they did for their property in Santa Rosa. Chair Lewis also clarified that we will not be stating anything about the incident in Chicago where workers faced an anti-union campaign.

U. Paratransit Employees in the Retirement Plan – Hugo Wildmann

Vice Chair Williams reminded the Board that the issue is regarding whether or not Paratransit workers that were hired in between 1993 and when the Plan was amended are entitled to benefits under the Plan.

Hugo gave the Board a status update that it will take time to go through the history of agreements since 1993. He added that he thinks that the Plan might be clear that these people are not included, but it will take time to go over the history. Hugo will come back to the Board next month with a written request to the District that he will work on with Russ and Vice Chair Williams.

F. 2017 Actuarial Valuation - Hugo Wildmann, Graham Schmidt

Graham reviewed the Actuarial Valuation that was included in the Board packet. He stated that all of the items discussed at previous meetings are incorporated in the report. Graham informed the Board that the only new items are that projected contributions are shown in dollars as well as percentage of payroll, and that funded scenarios are shown under different economic scenarios. Hugo sent Graham a minor change that involves the deletion of the phrase “member contributions” on page 7. This change will be included in the bound version of the report.

Member Riemer had a question about the 5% return over 5 years shown on page 13 and Graham went into some detail about the stress testing they perform under different return assumptions. He also informed the Board that the returns reflect actuarial smoothing.

**MOTION:** RIEMER/WILLIAMS to approve actuarial valuation report subject to the minor change discussed earlier. (4-0-0-0)

V. Retirement System Manager Report:

   i. Report on CALAPRS Administrators Institute in Monterey (September 27-29)

   Hugo said he attended CALAPRS and the sessions were very good and helpful.
T. AB 1234 Training – Russ Richeda, Hugo Wildmann

It was decided that the Board will do at least one hour of the AB 1234 Training at the November meeting and the remainder at the December meeting. Hugo will send a reminder that the next meeting will go until 2:00 p.m.

The Board decided that no Closed Session would be held.

PENDING ITEMS FOR DISCUSSION
RETIREMENT BOARD COMMENTS

Vice Chair Williams wants to recognize that Chair Lewis has been a great Chair to the Board.

ATTORNEYS’ REPORT
ADJOURNMENT

MOTION: WILLIAMS/RIEMER to adjourn. (4-0-0-0)

The meeting adjourned at 11:53 a.m.