

Minutes of the Meeting of the Board of Directors Retired Employees of Alameda County

Tuesday, February 14, 2017

Health Care Services Agency Building, Room 242, 1000 San Leandro Blvd., San Leandro, CA

The meeting was called to order at 9:30 AM by Jon Orellana, vice president and acting president of the board.

Roll Call: Present were Jon Orellana, Paul Reeves, Jerry Jacobs, Jessie Guiton, Marian Breitbart, Rosalie Masuda, Mike Smart, and Liz Koppenhaver. Also present were Ish Pena, ACERA staff member; Grant Hughs, ACERA Investments; Linda Barbaro, member; and Steve Scheinman and Jim Hartnett, directors emeriti and members.

Minutes: The minutes of the January 9, 2017, board meeting were reviewed. It was moved by Mike Smart and seconded by Marian Breitbart that the minutes be approved as amended. The motion was approved.

Announcements and Communications: Jon welcomed Linda Barbaro to the board meeting and then reported that Linda has met the requirements outlined in Article VII, Section 1 (b) for a member who wishes to run for a seat on the board. Since Linda's application was the only one received, she, along with Jerry Jacobs and Paul Reeves, will be the only individuals standing for election at the March 13, 2017, annual membership meeting. Linda took a moment and provided the board with an overview of her work history and the reason she was passionate about joining the REAC board. The board is very pleased that she has decided to run for a seat on the board.

Jon then announced that he recently received Gerry Dunn's letter of resignation. With the passing of Gerry's spouse, along with his health issues, Gerry has reluctantly decided to resign from the board.

Jon announced that Don White, ex-officio member for seat one of the Board of Retirement, has decided to retire and will therefore be resigning from the Board of Retirement. Jon also reported that ACERA is hosting a reception for Don immediately following the March 16, 2017, Board of Retirement meeting.

Reports

ACERA Investments: Grant Hughs, ACERA investment officer, provided an update on ACERA investments. Grant provided a number of investment charts, one of which provided an overview of ACERA's asset allocation. The fund balance, as of September 30, 2016, was \$6,947,581,532 and was allocated as follows: U.S Equity 32.5%, International Equity 28.5%, Fixed Income 16.7%, Private Equity and Alternatives 10.8%, Real Estate 6.9%, and Real Assets 4.1%.

Grant's report also noted that through September 30, 2016, ACERA's annualized five-year and ten-year gross portfolio returns of 10.5% and 6% rank it in the twenty-first and twenty-seventh percentiles, respectively, of similar funds in the Investor Force Universe over these same time

periods. For the one-year period ending September 30, 2016, the total portfolio rose 10%, underperforming the policy index by 2.1%. The ACERA total fund continues to increase its exposure to alternative asset classes to enhance portfolio diversification. PEARLS, real estate, and real assets represent 21.8% of ACERA's portfolio as of September 30, 2016, in comparison to the target of 31%. Grant was pleased with the retirement fund's performance thus far.

ACERA: Ish Pena reported on the February 1, 2017, Retirees Committee meeting. There was one action item and four information items. The first action item was a motion to adopt the annual supplemental cost of living adjustment (COLA) benefit for 2017 paid to eligible retirees. This benefit is to maintain retiree purchasing power at no less than 85% of the retiree's original benefit. This is a non-vested (non-guaranteed) benefit funded out of the Supplemental Retiree Benefit Reserve (SRBR). The Retirees Committee voted to recommend to the Board of Retirement that they adopt the supplemental COLA. Tier 1 members who retired on or before April 1, 1981, and Tier 2 members who retired on or before April 1, 1993, will receive the increase.

The first information item was a report on the annual COLA for 2017. All Tier 1 and Tier 3 retirees/payees will receive a COLA increase of 3%. Tiers 2 and 4 retirees/payees will receive a COLA increase of 2%. The Consumer Price Index calculation results in a change of 3.53%, which is rounded to the nearest one-half percent, which is 3.50%. The COLA increases are in accordance with Government Code Sections 31870 (Tiers 2 and 4: 2% maximum increase) and 31870.1 (Tiers 1 and 3: 3% maximum increase). Tiers 1 and 3 will have .50% added to their bank, and Tiers 2 and 4 will have 1.50% added to their bank.

The second information item was the announcement of the Annual Health Care Planning meeting, which is scheduled for March 1, immediately following the Retirees Committee meeting. The meeting will include trustees, ACRE and REAC board members, ACERA's benefits consultant (Keenan & Associates), and the county Benefits Management team. The planning meeting is designed to discuss global issues affecting multiple members who are enrolled in medical, dental, and vision plans offered through ACERA or OneExchange. The meeting is an opportunity for REAC and ACRE to express ideas and concerns and to make suggestions regarding future plan options that are important to retirees. Jon, Mike Smart, and Rosalie Masuda will attend the meeting and provide input.

The third information item was a report on the Benefits Consultant Services Request for Proposal (RFP) timeline. The current contract, with Keenan & Associates, comes up for renewal on July 1, 2017. ACERA will be sending out an RFP soliciting contract bids for the next contract period. ACERA currently has a list of thirteen potential consultants who might be interested in submitting bids for the contract to provide benefits consulting services.

The fourth information item was a miscellaneous update.

Treasurer's Report: Jessie distributed copies of her January 2017 Treasurer's Report. Receipts were \$4,677.98, and disbursements were \$5,283.19. The only unusual item was \$265 for

preparation of the 1099s. The report also reflected the \$10,000 CD, which will be used to cover the costs associated with the CRCEA Fall Conference that REAC is hosting. A labeling error was noted and corrected on the report. “Total Receipts for December” was corrected to read “Total Receipts for January.” “Total Disbursements for December” was corrected to read “Total Disbursements for January.” Jerry Jacobs moved that the January 2017 Treasurer’s Report be approved as corrected. Rosalie Masuda seconded the motion, and the motion was approved.

Jessie also handed out copies of the previously approved REAC Annual Budget for 2017. Total estimated income is \$63,100, and the total estimated disbursements are \$63,100.

CRCEA: Jerry Jacobs provided a brief report on the preparations for the upcoming CRCEA 2017 Fall Conference. He circulated a copy of the CRCEA conference flyer, which was created with the assistance of Mike Fara from ACERA. Jerry is still identifying potential speakers for the conference. He reported that the conference announcements will be out by August 15, and he also mentioned that Pete Albert, ACRE president, has been helping with the work.

SACRS: Jon reminded the board that the SACRS Spring Conference will take place May 16–19, 2017, at the Napa Valley Marriott. He would like to attend and report back to the board. Jerry Jacobs moved that Jon be reimbursed for his expenses while attending the conference; Rosalie seconded the motion, and the motion was approved.

Annual Membership Meeting and Spring Luncheon: Jon reported that Ophelia Basgal, ACERA Board of Retirement member, seat four, and immediate-past chair of the ACERA board, will be the guest speaker at the REAC Spring Luncheon. Jon also reminded the board that flooding occurred during the last storm at the Redwood Canyon Golf Course so we need to pay close attention to the weather as we get closer to the day of the luncheon.

The annual membership meeting agenda will be the same as last year. There will be a call to order, a certification of a quorum, approval of the previous year’s minutes, the Nominating Committee report, election of directors, committee reports (Retirement Board, health, and membership), Treasurer’s Report, old business, new business, good of the order, and adjournment.

Retirement Board: Mike reminded the board that we need to give some thought to, and ask our members about, the issues we would like discussed at the Annual Health Care Planning meeting scheduled for March 1, 2017. Those issues and suggestions need to be sent to Jon before the meeting.

Investment Committee: Marian Breitbart previously sent the board her report on the Investment Committee meeting, which was held on February 8, 2017. Her report included information on 2017 capital market assumptions, a review of Heitman America Real Estate Trust and Value Partners–Real Estate, and a review of UBS Trumbull Property Fund–Real Estate. Details can be viewed on the REAC web site.

Heath Care: Rosalie reported that the CDC continues to stress the importance of getting flu shots through the end of March of 2017.

Activities: Rosalie reported that planning for the REAC Spring Luncheon has almost been completed. She has a few items yet to resolve, but is confident that they will be resolved in time. Linda Barbaro volunteered to assist Rosalie if she needs any additional help. Jon also acknowledged Jessie's participation in helping Rosalie with the pre-luncheon organization.

Membership and Recruitment: Membership at the end of January 2017 stood at 4,086.

REAC News: Jon reported that the next *REAC News* will include information about the COLA increases as well as information regarding ACERA's investment performance.

Other Reports: There was no additional information to report.

Old Business: There was no additional information to report.

New Business: Jon took a moment and suggested the board finalize formal board planning objectives for 2017. He previously sent the board a list of his suggestions. The board members will review, discuss, finalize, and approve board planning objectives at a future meeting.

For the Good of the Order: There was nothing new to report.

Jon adjourned the meeting at 11:30 AM.

Respectfully submitted by Paul Reeves, Board Secretary

Next Meeting

Monday, March 13, 2017, 9:30 AM

Redwood Canyon Golf Course and Event Center, 17007 Redwood Rd., Castro Valley, CA