

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

Monday, May 9, 2016

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

The meeting was called to order at approximately 9:35 AM by Jon Orellana, vice president and acting president of the board.

**Roll Call:** Present were Jon Orellana, Marian Breitbart, James H. Hartnett, Jerry Jacobs, Gerry Dunn, Rosalie Masuda, and Richard Karlsson. Excused were Paul Reeves and Liz Koppenhaver. Also present were Grant Hughs from ACERA and Jessie Guiton, member.

**Minutes:** The minutes of the April 11, 2016, board meeting were reviewed and approved.

**Announcements and Communications:** Rich and Marian will be unable to attend the June Investment Committee meeting, and Rich will be unable to attend the June Retiree Committee meeting of ACERA. Jerry Jacobs volunteered to attend both meetings and write a report. Jon reported that it is anticipated that all past and future ACERA committee reports will soon be posted on the new REAC web site.

Jon reported that the new ACERA CEO, Dave Nelsen, has agreed to attend the June 13 REAC meeting. Those REAC members who have met Mr. Nelsen have been impressed with his candor and willingness to meet with REAC.

### **Reports**

**ACERA Staff Member:** Mr. Hughs, from the ACERA Investment staff, met with REAC in response to an invitation by Jon to Betty Tse.

Mr. Hughs presented a report to REAC that is usually presented to the county and other participating agencies on the financial status of ACERA. The report detailed the target allocations of ACERA by asset class, market value, and allocation (target and actual). The presentation also included the quarter-end market values of the ACERA portfolio, as well as an annualized twenty-five-year history of ACERA performance as measured against the policy index and the returns of other public funds. While ACERA has done quite well over the twenty-five-year period, its performance over the last five-, three-, and one-year periods has not been quite as stellar; and ACERA is working diligently to maximize its returns while at the same time lower risk.

Many questions were asked about de-risking the portfolio in light of the fact that ACERA, as a mature retirement system (meaning approximately the same amount of retirees as active employees), cannot withstand losses as well as a non-mature system. Although it is a small percentage of the entire portfolio, there is currently a \$10–\$15M monthly outflow to cover retiree costs. Mr. Hughs responded that ACERA has undertaken steps to reduce risk in some part

of the portfolio, domestic equities and fixed income, while at the same time is seeking greater returns from PEARLS, or private equity and hedge investments.

Mr. Hughs stated that as oil and commodities appeared to be stabilizing and inflation seems to be looming, it was ACERA's assumption that its portfolio would have better returns in the near term. Mr. Hughs also stated that ACERA was increasing its index funds and decreasing some of the underperforming categories of investments, such as small cap. He further stated that at the June 8 Investment Committee meeting there would be further discussions related to the fixed income portfolio, and appropriate amount of risk in the ACERA portfolio, in response to its "mature" status.

Mr. Hughs stated that ACERA's real estate and PEARLS categories were outperforming the market; and while the real returns were below benchmarks, the ACERA benchmarks were set higher than the commodities benchmarks, to which they compared favorably.

There was considerable discussion about the ACERA earnings assumption rate (currently 7.6%), assumption rate projections among other retirement systems, and that the current "smoothed" funded rate of ACERA (projected liabilities to projected revenue) was 75%.

Mr. Hughs provided an excellent presentation to the REAC board and was thanked by everyone in attendance.

**Treasurer's Report:** Mr. Hartnett provided the quarterly report, January–March 2016, as well as the April 2016 report. Though revenue was higher for both periods, expenditures were higher due to one-time and unusual events. Rich moved to accept the April Treasurer's Report; it was seconded by Marian and unanimously approved.

Mr. Harnett next recommended that the annual REAC financial review continue to be undertaken by the same CPA and that Jon sign the contract for the current year. Marian made the motion to approve, and Rosalie seconded the motion. The motion was approved unanimously.

**CRCEA:** Jerry gave a report of the last meeting of the CRCEA and updated the REAC board regarding the upcoming 2017 fall conference sponsored by REAC. One item of concern from the CRCEA conference was that Kern County, also an SRBR county, was seeking legislation to change the SRBR funding formula for Kern County so that its contribution would be less going forward. It was noted that Kern County provides only limited benefits from its SRBR and is currently overfunded. Concern was expressed that such legislation may have an impact on ACERA, depending on the proposed action and legislative language. REAC will monitor progress of any such legislation. In regard to the local CRCEA conference, a hotel has been identified to hold the conference, and Jerry hoped to have a preliminary budget and contract to forward to Jon within two weeks. Jerry handed out brochures and advertising for the current conference at the Embassy Suites in Walnut Creek, October 17–19, 2016, and he was advised to provide that information to the current publisher of the REAC newsletter for pricing for the local conference. Members were encouraged to attend this year's conference to get an understanding

of the CRCEA agenda. Jerry indicated a ballpark figure for REAC's funding of this conference to be around \$12,000.

**SACRS:** Liz has indicated to Jon that she would provide a report of the conference for REAC because no one else from REAC would be able to attend this year.

**Retiree Committee:** Richard went over the main topics covered by the agenda and asked if there were any follow-up questions to his written report of same. There were no questions.

**Investment Committee:** Marian touched upon the main actions taken by the Investment Committee meeting and asked if there were any follow-up questions to her written report. There were no questions.

**Health Care:** Rosalie indicated that flu season ended on April 30.

**Activities:** Jon stated that many people responded favorably to our new venue, Redwood Canyon Golf Course, and that therefore it was decided to hold our fall 2016 luncheon at the same venue. The new ACERA CEO, Dave Nelsen, has agreed to be the speaker. Rosalie agreed to coordinate the fall luncheon. She will seek a different vegetarian meal because the spring luncheon response was not favorable.

**Membership and Recruitment:** Jerry reported that there were 4,111 members as of the end of April. However, he has received thirty new applications for membership, as well as notice of seven deceased members. Since REAC has decided to try to reach more active members, but there is no current means to deduct dues from active employee paychecks, it was moved that such members pay a pro rata cost of \$1 monthly for the remainder of the calendar year in which they join, in advance and thereafter \$12 annually, while they are an active employee. Such active employees would be notified at year's end to submit their annual dues for the following year. Jerry moved the foregoing in the form of a motion, the motion was revised as set forth above by Marian, and seconded by Gerry. The motion was approved unanimously.

**REAC News:** Jon said that the newsletter consultant, Ms. Sturgeon, had done a wonderful job with the most recent REAC newsletter and thanked Marian for bringing her to our attention. Gerry asked if the names and acronyms of affiliated organizations of ACERA and REAC (e.g., SACRS and CRCEA published earlier in the *REAC News*) could be repeated as many had found that useful.

**Other Reports:** There were no other reports.

**Old Business:** Jon reported that the new REAC web site was in beta, or testing, stage; and he encouraged every board member to try it. The name of the web site is *REACsite.org*, and there will be one password for all members.

**New Business:** Jon noted that there had been a lot of turnover this year in REAC board members. In large measure, this was due to the new individuals stepping forward who want to participate and that, in accordance with the REAC bylaws, the board may appoint replacements to fulfill the remaining term of the resigning board members. In that regard, Richard Karlsson is

stepping down from the REAC board, and Mike Smart has agreed to assume the duration of his term, ending on March 31, 2018. The motion to appoint Mike was made by Marian, seconded by Gerry, and approved unanimously.

Jim Hartnett was likewise resigning his term early, expiring March 31, 2019, and new member Jessie Guiton agreed to assume both his directorship and his duties as treasurer. Marian made the motion to appoint Jessie to the remainder of Jim's term. Gerry seconded the motion, which was approved unanimously.

***For the Good of the Order:*** No further items were brought up for discussion so the meeting adjourned at 11:40 AM.

### **Next Meeting**

Monday, June 13, 2016, 9:30 am  
Health Care Services Agency Building, Room 242  
1000 San Leandro Blvd., San Leandro, CA