

**Minutes of the Meeting of the Board of Directors
Retired Employees of Alameda County
Monday February 14, 2022, 9:30 A.M.**

Zoom Video Conferencing Board Meeting

Marian Breitbart, President of the Board, called the meeting to order at 9:30 A.M.

Roll Call: Marian Breitbart, Paul Reeves, Suman Sharma, Renaye Johnson, Alicia Baptista, Connie Land and Linda Slater were present. Betty Tse, ACERA Chief Investment Officer, Agnes Ducanes, ACERA Representative, Mike Fara, ACERA Representative, Charo Panesi-Guerra, REAC Member and Administrative Assistant, Rosalie Masuda REAC Member, and Pete Albert, ACRE Board President, were also present.

Minutes: Minutes of the January 10, 2022 meeting were reviewed. Connie moved that the Minutes from the January 10, 2022 Board meeting be approved as submitted. Alicia seconded the motion and the motion was approved.

Announcements & Communications: There was no new information to report.

ACERA: Betty Tse provided the REAC Board with an ACERA Investment Performance Update. She began with ACERA's Quarter-End Market Values as of September 2021. Betty mentioned that they will receive the 4th Quarter-End Market Values report sometime in March 2022. The total fund value continues to increase. The 1st Quarter Return on investment was 4.42%, the 2nd Quarter Return on investment was 6.12%, and the 3rd Quarter Return on investment was 0.81%. The total fund value at the end of the 3rd Quarter was \$11.5 Billion dollars.

In June of 2021 ACERA received substantial prefunding of their obligation from Alameda County and Livermore Area Recreation and Park District. The total was approximately \$812 Million, the bulk of the \$812 Million was received from Alameda County and approximately \$12 Million of the total was received from the Livermore Area Recreation and Park District. Prefunding by employers demonstrates a high degree of confidence in ACERA and its future investment returns. Betty reminded the Board that for every dollar of benefits retirees receive, approximately .85 cents of that comes from investment returns.

Betty felt that the Market has been working in our favor. Looking first at the 25 year mark, the fund grew at a rate of 8.61%, the policy index was 8.49% and the median for funds of our size was 7.67%. Looking at the 10 year mark, the fund grew at a rate of 11.03%; the policy index was 10.84% and the median for funds of our size was 10.09%. Looking at the 1 year mark, March 2020 – March 2021, the fund grew at a rate of 25.29%, the policy index was 21.89% and the median for funds of our size was 21.90%. The 1 year growth does include the \$812 Million prefunding amount, but the bulk of the growth is still a result of the total investments they have.

Marian asked Betty if they could differentiate between the gross figures and the net figures. Betty said yes. On average, the net figures were approximately 1% lower. Linda asked if the prefunding amount had to be returned at some point in the future. Betty said no, there was no requirement that it be returned.

Betty mentioned that much of their success is based on how they allocate funds by Asset Class. When they allocate Asset Class funds, they begin with the current allocation and then increase or decrease each Asset Class based on a wide variety of financial indicators including global market performance, new investment opportunities, cash needs, and investment risk. They also include any directions given by the Retirement Board in making their final decisions.

Compared to 16 other SACRS pension plans, according to the latest RVK (R.V. Kuhns) Report (June 30, 2021), ACERA's 1-Year return of 32.2% ranks #1, ACERA's 5-Year return of 12.4% ranks #2, and ACERA's 10-Year return of 9.58% ranks #3.

Betty also felt that our ACERA Fund is well-positioned to weather the financial storm created by Inflation. Some experts predict inflation will increase to as high as 5.5%, while other experts predict inflation could increase to as high as 7.5%. In either case, they have anticipated a sharp increase in inflation, and have adjusted their allocations to accommodate an inflation rate of 6.0%.

Betty also mentioned that in 2021 the Board approved an Environmental Social Governance (ESG) Policy and in January 2022, the Board approved an ESG implementation plan. She thought that ACERA was probably one of the first public county funds, of their size, to have a formal ESG Policy. ESG criteria are a set of operational standards that socially conscious investors use to evaluate potential investments. Environmental criteria consider how a company performs as a steward of nature. Social criteria examine how it manages relationships with employees, suppliers, customers, and the communities where it operates. Governance deals with a company's leadership, executive pay, audits, internal controls, and shareholder rights.

Agnes reported that they recently hired a new Operations Investment Officer. He will report directly to Betty and he will eventually supervise the Investment Officers and the Investment Analysts. Agnes also mentioned that they would like our feedback regarding how well they are doing in terms of meeting our needs, in supplying us with timely information, in responding to our questions, providing access to their public meetings, and what sort of improvements, if any, we think they might make.

ACERA: Mike began his report on the February 2, 2022 Retirees Committee Meeting. There was one Action Item and eight Information Items. The Action Item was the recommendation for the adoption of the annual Supplemental COLA benefit for 2022. ACERA staff recommended that the Retirees Committee recommend to the Board of Retirement that it adopt the Supplemental Cost of Living Adjustment increase for Tier I members who retired on or before April 1, 1981, and Tier 2 members who retired on or before April 1 2001, effective with the April 1, 2022 monthly retirement allowance. This annual supplemental benefit is a non-vested benefit and is funded by the Supplemental Retiree Benefit Reserve (SRBR).

In 1998, by the Board of Retirement action, the Supplemental Cost of Living Adjustment (COLA) benefit was restructured to provide a benefit that maintained retiree purchasing power at no less than 85% of the member's original benefit. Therefore, those retirees who have an accumulated loss of purchasing power of 15% due to inflation are eligible to receive this benefit. There is an average of 578 retirees/payees (184 Tier 1 and 394 Tier 2) receiving the Supplemental COLA. The cost of this benefit for 2021 was \$939,406.87. The Retirees Committee voted to approve the ACERA staff recommendation.

The first Information Item was a report of ACERA's COLA for 2022. The annual Consumer Price Index (CPI) calculation results in a change of 4.24%. According to the Government Code Sections 31870 and 31870.1, the percentage change should be rounded to the nearest one-half percent, which is 4.0%. All Tier 1 and Tier 3 retirees/payeess will receive a COLA increase of 3.0%. Tiers 2 and 4 retirees/payeess will receive a COLA increase of 2.0%.

Tiers 1 and 3 will bank 1.0%, as the 2022 COLA exceeds the 3.0% maximum for Tiers 1 and 3 retirees. Tiers 2 and 4 will bank 2.0% as the 2022 Cola exceeds the 2.0% maximum for Tiers 2 and 4 retirees.

The second Information Item was the 2022 Annual Retirees Committee Work Plan Review. Every year, a Retirees Committee Work Plan is developed and agreed upon. Most of the items included in the Work Plan are the same as the previous year. For example, in February 2021, there was an Action Item regarding the Annual Supplemental Cost of Living Adjustment. That Action Item occurs every February.

For the 2022 Retirees Committee Work Plan there were three changes. For February, a discussion regarding the lump sum death benefit was added and a report on hearing aid benefits. For September a placeholder for a Retirees Committee meeting, if needed, was added. If there are to be changes to the Health Care Plan design, September is the month in which those discussions would normally date place.

The third Information Item was an announcement of the date for the annual Health Care Planning meeting with Trustees, ACRE and REAC Board Members, ACERA's Benefits Consultant, and the County Benefits Management team. Last year this meeting was held virtually due to concerns related to the spread of the COVID-19 coronavirus.

The Health Care Planning meeting is designed to discuss global issues, affecting multiple members, who are enrolled in a medical, dental and vision plans offered through ACERA or Via Benefits. The Health Care Planning meeting is a precursor to the annual renewal letters Staff sends to the County of Alameda as well as ACERA's dental and vision carriers for the next plan year. The meeting will be a virtual meeting and has been tentatively set for April 6, 2022 immediately following the Retirees Committee meeting.

The fourth Information Item was a report on 1099-R processing. The printing of the 1099-R forms began the week of January 10, 2022. All forms were mailed the week of January 17th, which was prior to the IRS issuance deadline of January 31st.

The fifth Information Item was a discussion regarding the Retired Member (Lump Sum) Death Benefit. Currently, ACERA provides a one-time payment of \$1,000 to be paid upon the death of an ACERA retired member if that member retired from ACERA as their last employer. On January 1, 2013, this benefit was reduced from \$5,000 to the current \$1,000 death benefit. At the time, the Board of Retirement had concerns about the sufficiency of the Supplemental Retiree Benefit Reserve (SRBR). However, it was stated that if there came a time when the fund was at a higher sufficiency level, this benefit would be reconsidered. No actions were taken at this time and there will be further discussions in the future.

The sixth Information Item was a report on Hearing Aid Benefits. This discussion is also linked to Non-Vested funds paid out of the SRBR. The report covered the cost of hearing aids, Out-of-Pocket cost after medical plan coverage or retailer discounts, the number of ACERA members who have utilized the existing hearing aid benefit, and the projected costs for increasing the hearing aid benefit allowance. The report also noted the health risks associated with hearing loss. Hearing loss contributes to an increase in

hospitalizations, cognitive decline, and dementia. No actions were taken at this time and there will be further discussions in the future.

The seventh Information Item was a report on the results of the Open Enrollment activity for ACERA and Via Benefits. New this year was the recreation of their ACERA Medical, Dental and Vision enrollment forms into DocuSign fillable online forms. There were 240 Enrollment Forms received, all were submitted via DocuSign, and no problems with the process were reported.

The eighth Information Item was an update on a free gym membership program. The Board added, as a 1 year trial program, a Silver&Fit program for all Kaiser Senior Advantage Medicare Plan members. The program started February 1, 2022. There is no cost for a gym membership at one of 18,000+ participating fitness centers or for a home fitness kit. Detailed information regarding the program is available on the ACERA website.

Treasurer's Report: Suman presented the January 2022 Treasurer's Report. Receipts totaled \$501.75 and Disbursements totaled \$6,457.20. (ACERA did not provide January's membership dues payments until February 1, 2022) The beginning check book balance was \$71,585.21 and the ending check book balance was \$65,629.76. There were no unusual expenditures and no unusual receipts. Connie moved that the January 2022 Treasurer's Report be approved as presented. Paul seconded the motion and the motion was approved.

In a response to an inquiry from Connie, Marian asked if Suman had a report on the REAC Directors & Officers Insurance. Suman reported that the D&O Insurance provided \$1 Million dollars for Insured Person Liability, \$1 Million dollars for Organization Reimbursement, \$1 Million dollars for Organization Liability, \$250,000 for Derivative Demands, and \$250,000 for Crisis Management Costs for a Network Security Breach or Privacy Violation. The Board felt that was a reasonable amount of coverage.

CRCEA (County Retired County Employees Association): Connie reported that the February 16, 2022 Executive Meeting is cancelled. The next Executive Meeting is scheduled for Wednesday, March 16, 2022. She plans on attending the next several meetings to make sure that we remain informed. The CRCEA Spring Conference, which will be a Virtual Conference, is being held from May 1-3, 2022. The host county is the Retired Employees Association of Orange County. (REAOC) The agenda is not yet available. The CRCEA Fall Conference will be hosted by the Sacramento County Retired Employees Association (SCREA). Specific dates, location, agenda, are not yet available.

The Board had a brief discussion regarding CRCEA Annual dues and Conference fees. Connie will review the CRCEA website to determine what the dues/fees cover.

Connie reported that there were no new updates on the CalPERS website. (www.calperslongtermcare.com) The deadline for all categories of the CalPERS Lawsuit, which was January 28, 2022, has passed. The next important date is June 8, 2022 when the approval hearing is scheduled. She encouraged members to continually check the website for any changes or updates. (<https://calpersclassactionlawsuit.com>)

SACRS (State Association of County Retirement Systems): Paul reminded the Board that the SACRS Annual Spring Conference will be held from May 10-13, 2022. The Conference will be held at the

Omni Rancho Las Palmas Resort in Rancho Mirage, California. The SACRS Fall Conference will be held from November 8-11, 2022. The Conference will be held at the Hyatt Regency Long Beach, in Long Beach, California.

SACRS is also hosting, along with UC Berkeley Haas School of Business, a Public Pension Investment Management Program. The course is entitled Modern Investment Theory & Practice for Retirement Systems. While it is really designed for Public Pension Plan Trustees, there are several sessions and several topics which provide very useful information. The course will be in webinar format and will take place from July 13th – July 15th and the second session will take place from July 20th – July 22nd. Enrollment information and the Conference agenda are on the SACRS website.

Retirement Board: There was no additional information to report.

Investment Committee: There was no additional information to report.

Health Care (Centers for Disease Control and Prevention): Renaye reported that the Omicron Variant is still causing the highest rates of infections. The CDC still has the same recommendations for vaccinations and boosters, including vaccinations for children 5 years and older. With respect to boosters, the recommendation for both Pfizer and Moderna is to wait at least 5 months after completing the COVID-19 vaccination series. The recommendation for Johnson & Johnson is to wait at least 2 months after receiving their COVID-19 vaccination.

California is still requiring masks to be worn when in public transit and their stations, and in airports and their terminals. Masks are also required indoors in K-12 schools, and in Childcare and Healthcare settings. Renaye mentioned there are large differences between counties. Renaye reported that she received her notice regarding the new Silver & Fit program. She has not signed up yet, but her sister has, and her sister has decided to use the Home Fitness Kits.

Activities: There was no new information to report.

Membership and Recruitment: The Board continued their discussion concerning identifying and tracking member complaints. Complaints or questions from members can come through the REAC website, by way of a phone call or phone calls, through ACERA, etc. The Board wanted to develop a central hub for keeping track of each complaint received and the disposition. Paul agreed to contact Lori to explore the use of the REAC website as a way to centralize complaints and resolutions.

Charo reported that as of January 31, 2022, membership stood at 3,871.

Administrative Staff Updates: No additional information to report.

Nominating Committee: Paul reported that he received written responses from each of the three Board members whose terms expire at the end of March 2022. Suman Sharma and Liz Koppenhaver have agreed to serve another term in office. Marian Breitbart has decided to not serve another term, which means there will be two vacancies on the Board.

REAC News: The Annual Membership meeting along with the requirement to have 20 members present, not including the Board members, Kaiser's Silver&Fit Program, Investment returns, and speakers Kathy Foster & Aliyah Walker UC Davis.

Other Reports: There was no other information to report.

Old Business: Goals and Objectives – This item was carried over to the March 2022 Board meeting.

New Business: There was no information to report.

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

Meeting adjourned at 12:20 P.M.

Respectfully submitted by Paul Reeves, Board Secretary

Annual Membership Meeting: March 14, 2022, 9:30 a.m. (Monday) Zoom Video Conferencing

Next Board Meeting: March 14, 2022, Immediately following the Annual Membership Meeting Zoom Video Conferencing