

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

Zoom Video Conferencing Board Meeting

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

Roll Call: Alicia Baptista, Renaye Johnson, Paul Reeves, Suman Sharma, Connie Land, Liz Koppenhaver, and Linda Slater were present. Betty Tse, ACERA Chief Investment Officer, Agnes Ducanes, ACERA Representative, Nancy Reilly, REAC Member and ACERA Retiree Alternate, Charo Panesi-Guerra, REAC Member and Administrative Assistant, and Mary Amos, REAC Member.

Minutes: Minutes of the April 11, 2022 REAC Board meeting were reviewed. Connie moved that the April 11, 2022 Minutes be approved as submitted. Suman seconded the motion and the motion was approved.

Announcements & Communications: There were no Announcements or Communications to report.

ACERA: Betty Tse, Chief Investment Officer, provided the REAC Board with an ACERA 2021 Year-End Update. Betty reported that the market value of the retirement portfolio, as of December 31, 2021, was \$11.9 billion, which represented a return of 16.21% for the 1-year period, outperforming the policy index by 1.22%. It was well above the Actuarial Return Assumption of 7.0%, and those positive results came in spite of the many challenges the market faced during the year.

Betty also mentioned that the ending balance included a June 29, 2021 prefunding one-time payment of \$800 million from Alameda County and a prefunding one-time payment of \$12.6 million from the Livermore Area Recreation and Park District (LARPD). The historic prefunding payments demonstrated the confidence that both Alameda County and LARPD had in ACERA's management of the retirement portfolio. After removing the prefunding payments, the return was approximately \$1.5 billion dollars.

Since 2017 the return, after removing the prefunding payments, after paying for benefits, and after removing the administration costs associated with ACERA, was approximately \$3 billion dollars. Looking further back, at the end of 2002, the fund balance was approximately \$3.2 billion. In spite of the losses associated with the market crisis of 2007 – 2008 the fund balance has increased, in the last 19 years, almost 4 times in value.

Betty began to discuss the Annualized 25-Year History of the total fund performance. Looking first at the 1 year performance, the total fund return was 16.21%, the Policy Index (a weighted average of the Fund's Asset Classes and their respective benchmarks) return was 14.98%, and the Median (the return of the fund at the 50th percentile of the total public funds universe) return was 14.94%. The 1 year return outperformed both the Policy Index and the Median. Looking next at the 25 year performance, the total Fund return was 8.54%, the Policy Index return was 8.40%, and the Median return was 7.71%. The 25 year return outperformed both the Policy Index and the Median. Throughout the 25 year period, the retirement fund has consistently outperformed the Actuarial Return Assumption which is a very impressive result.

Betty next focused on the Fund's performance by Asset Class. After receiving the prefunding payments, they immediately distributed all of those funds based on a new Asset Allocation which was approved by the Board in June 2021. For example, they moved more money into Private Equity, increasing the Target amount from 7.9% to 11.0%. They reduced their overall exposure by reducing the US Equity Target amount to 24.0% from 25.0% and they increased the Target amount for Absolute Return to 8.0% from 6.5%.

The number of Asset Classes has changed over time. In 2007 there were only 4 Asset Classes, US Equity, Fixed Income, International Equity, and Real Estate. In 2009 they added PEARLS (PEARLS Asset Class was dissolved in 2017 and replaced with Private Equity, Absolute Return, Real Assets & Private Credit) and by 2021 the number of Asset Classes had increased to 8. They continue to make changes and adjustments based on what is happening in the market place and what is happening in the world. Issues like COVID-19, the war in Ukraine, and Inflation, has caused ACERA to reduce its expectations, and to project a relatively modest 6.1% return over the next 10 years.

Linda asked Betty if she could give her a brief explanation regarding the prefunding and what it has to do with the employer's liability. Betty mentioned that in the 22 years she has worked for ACERA, there has never been a prefunding payment, so it is a rare event. Betty went on to explain that all employers are required to make annual contributions to the Retirement Fund. There is a preset formula which is used by ACERA's actuarial consultant, which is Segal, to calculate the amount of the contributions. Since the employers have great confidence in how ACERA is managing the fund, by making such a large prefunding payment, it reduces their future liability and provides ACERA with additional funds which can be used for current investments. Paul asked if the prefunding payment was a fixed percentage or does it change over time? Betty responded by saying that the prefunding payment was a one-time event, so there is no historical precedent for a percentage.

Connie asked Betty if the Retirement Board has given any thought to where our funds are invested. She mentioned the war between Ukraine and Russia, and wondered if the Retirement Board considered making investment changes based on those types of issues. Betty mentioned that the Board does consider those types of issues and has asked ACERA to determine what our exposure happens to be in that regard.

Alicia asked Betty, based on her statement that ACERA is projecting a relatively modest 6.1% return over the next 10 years, if our peers in the total public funds universe are also projecting modest returns. Betty thinks our peer groups are probably being conservative as well, because we are all in the same market and we often use the same consultants.

Treasurer's Report: Suman presented the April 2022 Treasurer's Report. Receipts totaled \$8,221.99 and Disbursements totaled \$6,433.57. Red Arrow has now billed us for February 2022 and still needs to bill us for March & April 2022. Now that Red Arrow is trying to catch up, Suman hopes they will bill us for both March & April next month. Suman also mentioned that our Red Arrow costs have increased slightly. We have been paying around \$1,641.00 per month and we are now paying around \$1,723.00 per month. The beginning check book balance was \$82,466.66 and the ending check book balance was \$84,255.08. Connie moved that the April 2022 Treasurer's Report be approved as presented. Renaye seconded the motion and the motion was approved.

CRCEA (California Retired County Employees Association): Connie began by reporting on the CRCEA Spring Conference, which was held beginning May 1, 2022 thru May 3, 2022. The conference was the first

virtual conference hosted by the Retired Employees Association of Orange County (REAOC). Registration for the conference took place in advance of the conference with required registration and training to be completed by May 1, 2022. The required training provided information on how to access the conference through the electronic options. Advanced Media Works handled the registration, media platform via Live Stream and Zoom and other aspects of the virtual experience.

The registration, training and entire conference were well organized and informative. There were sessions of serious importance, sessions of general interest and interactive sessions to give and receive ideas to help County associations with the way they do business. Some of the sessions of serious importance were: Update on Federal Legislation & Impact on Retirement and Social Security and How These May impact our Benefits. The presenter was Hank Kim, Executive Director of NCPERS (National Conference of Public Employees Retirement Systems).

The key points of Mr. Kim's presentation included the following: Most private employers do not have pension plans; Those with pension plans have Defined Contribution Plans, i.e., 401K. Some private employers like airlines, oil and gas industries have Defined Benefit Plans and Defined Contribution Plans (i.e. 401K Plans), Governmental entities have Defined Benefit Plans and also Defined Contribution Plans (i.e. 457 Plan, 403(b), and Thrift Savings Plans.)

There were sessions on: What's going on in Washington, Artificial Intelligence (AI) and how that might be used to solve complex problems, and Addressing Short Term Losses in a Volatile Global Market. One of the most interesting points to come out of the Artificial Intelligence session was that Orange County Employee's Retirement System is exploring the possible use of AI for calculating pension benefits. The key points from the Addressing Short Term Losses session were to: Prepare for more inflation; Industry is desperate to find workers with the right skills; Think long term, don't panic, and worry about short term investments.

During the Roundtable discussions, each County shared concerns they're having. The majority of counties are experiencing problems with increased membership and Board member recruitment. Many counties are now having hybrid meetings (in person and virtual) and moving forward to having in-person luncheons.

Overall, Connie found the Conference to be interesting and well attended. She also felt the Executive Committee and Business Meeting were very informative. CRCEA has 10 standing committees and Connie plans on selecting one of those committees to serve on.

The CRCEA 2022 Fall Conference will be held from October 9, 2022 thru October 12, 2022 in Sacramento. The host county is Sacramento County Retired Employees Association (SCREA). The Conference will be "in person" and held at the Embassy Suites, steps from historic "Old Town" and River Front Promenade along the Sacramento River. Registration and agenda are not yet available. As Connie mentioned before, it will be our turn to host a Conference in 2025, and most of the counties begin their planning at least two years in advance. One of the things Connie will do is to contact Orange County to see how much it actually cost them to host the Conference and how much it cost them to use Advanced Media Works.

The CalPERS Long Term Care Class Action Settlement has been canceled. The April 21, 2022 website update stated the following: Under Section 19.1 of the Settlement Agreement, the Settlement could be terminated if more than 10% of the Settlement Class opted out. Because approximately 30% of the Class opted out, the

parties have determined that the existing Settlement will not be going forward. The parties will continue to work with the Honorable Layn Phillips (Retired) to attempt to reach agreement on an amended settlement that would be acceptable to both CalPERS and the members of the class. Connie encourages any of our members who are affected by the cancellation to continue to check on the website for additional information. The website is: <https://calpersclassactionlawsuit.com> or they can contact the Settlement Administrator at 1-(866) 217-8056.

SACRS (State Association of County Retirement Systems): Nancy reported that she will be attending the SACRS Annual Spring Conference which takes place from May 10-12, 2022. While it begins on May 10th, that day is actually for Trustees and staff to take Ethics Training (AB1234) or Sexual Harassment Prevention Training (AB 1661). The actual Conference really takes place on Wednesday and Thursday. She is looking forward to the Conference. Ms. Keisha Lance Bottoms, a CNN Political Commentator and former Mayor of Atlanta, will be speaking on “Leadership in the Toughest of Times” and Retired General David Petraeus will be speaking on “Perspectives on the Russia-Ukraine Invasion”. In addition, there will be information and discussions regarding Inflation, the Future of Business in the Metaverse Economy, and Cryptocurrency.

Retirement Board: Nancy provided some additional clarity regarding the December 31, 2021 Retirement funding ratio. Without the prefunding payment, the December 31, 2021 funding ratio was 76.2% and with the prefunding payment the funding ratio was 86.5%. So the one-time prefunding payment increased the funding ratio by 10.3%.

Investment Committee: There was no additional information to report.

Health Care (Centers for Disease Control and Prevention): Renaye reported that the CDC is continuing to recommend that everyone get their COVID-19 vaccinations and their COVID-19 vaccination booster shots in order to keep the infection rates low and protect as many people as possible. The CDC is also recommending vaccines for everyone ages 5 years & older and everyone 12 years and older should get a COVID-19 booster shot. She also reported that the CDC Website now has a “COVID-19 by County” option which allows you to enter your specific county and see what level your county happens to be. For example, Alameda County’s level is Low, Contra Costa County’s level is Low, and San Francisco County’s level is Medium. Renaye also stressed the importance of our Kaiser members using the Silver&Fit program.

Activities: There was a brief discussion regarding the possibility of having a REAC Fall luncheon. The discussion included the location, the various costs associated with a luncheon, a guest speaker, etc. Alicia agreed to make some calls regarding location and availability.

Membership and Recruitment: Charo reported that as of April 30, 2022, membership stood at 3,859 members. Charo reported that she also spoke with Ish Pena regarding the possibility of having a mini presentation given to us by ACERA, so that we could modify our process to be more successful. Unfortunately Ish was unable to attend today’s meeting but he did say that a copy of the Newsletter and a copy of our application letter were both included in the packet. She will be contacting him again, or perhaps Mike, since she really needs to understand the whole process better in order to make any effective recommendations. Charo also reported that last month, 18 members opted to receive their Newsletter electronically.

REAC News: The REAC Newsletter will have information concerning Betty's Investment Update, information concerning the CalPERS lawsuit, questions for our members on future luncheons, their thoughts on using a different type of paper for the REAC Newsletter, and what they would like to see on a revised REAC website.

Other Reports: There was no other information to report.

Old Business: Charo and Connie were able to look at several websites and had some suggestions for changes. They identified three key principles they found on other websites. They were Navigation, Hierarchy, and Color. There were three other elements which helped to make websites more attractive. They were Intrigue, Attraction, and delivering the message. Many of the websites had photos of retirees and photos of their Board, or the photos of the Board Officers along with a short bio.

In addition, many websites highlighted the Who We Are, What We Do, and How to Contact Us, making it easier for members and nonmembers to figure out what they were about, how to enroll, and whom to contact. They also found that many of the websites included additional links, such as links to CREAC, SACRS, Medicare, Social Security Administration, etc.

Connie, Charo & Linda volunteered to work on a Website Development Committee to help redesign a new REAC Website. The Board will review the suggestions made thus far, and give feedback to the Committee. Once there is agreement, the design will be given to our Website designer who will then create a parallel test website for our further review.

New Business: There was no information to report.

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

Meeting adjourned at 11:20am

Respectfully submitted by Paul Reeves, Board Secretary

Next Board Meeting: Monday, June 13, 2022, 9:30 am
Zoom Video Conferencing Board Meeting