

**Peralta Community College District
Retirement Board Meeting Minutes
January 25, 2024**

Present Board Members: William (Bill) Withrow (Chair), William (Bill) Riley, Meredith Brown, Ron McKinley, Nathaniel Jones III,
 Absent Board Members: 0
 Absent Advisory Members: 0
 Present Advisory Members: Tim Hackett, Michael Wirth, Jerry Herman, Michael Mills

Present Board Advisors: Christine Williams, Cheryl Cannistra, Ed Berman, Sultan Khan, Carlos Torres, Dave Vigo, PCCD Budget Director,
 Marla Powell, Acting Associate Vice Chancellor of Finance

Agenda Item	Discussion	Follow-Up Action
I. Call to order	Meeting called to order at 4:05 p.m. by Chair Withrow.	
II. – VI.	Board Members, Advisory Members, Advisors present and absent – listed above.	
VII. Approval of Agenda	Motion to approve the November 09, 2023, meeting agenda. Approved. AYES: 5 NOES: 0 ABSTAIN: 0 ABSENT: 0	
VIII. Approval of Meeting Minutes	Motion to approve the December 12, 2023, minutes. Approved. AYES: 5 NOES: 0 ABSTAIN: 0 ABSENT: 0	

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<p>VII. Report from Closed Session</p> <p>XI. Executive Administrator Report and Meketa Investment Performance Update</p>	<p>Chair Withrow acknowledged the roll call and called the meeting to order at 4:05pm.</p> <p>There was nothing to report from Closed Session. Chair Withrow asked Ms. Williams to present the Executive Administrator’s report.</p> <p>Ms. Williams started the report by providing a report on the Trust II Meketa Investment Group's performance report, highlighting that the initial investment of \$1 million has remained stable and even outperformed the policy benchmark by 10 basis points in the fourth quarter of 2023, with a return of 9.3%. She also mentioned that the fund has not dropped below the initial investment and has seen positive returns in all asset categories. Christine noted that ongoing discussions and negotiations will occur around Trust II in 2024. In response to Chair Withrow’s question, Christine clarified that the District has the option to pay liabilities out of any fund, including Trust II, which was set up for retiree health benefit reimbursement. Ms. Williams led a discussion on the Trust II investment report and acknowledged a positive change in the fund balance. Trust II fund balance as of 12/31/23 is 1,330,400.00 and a prior report on 9/30/23 the balance was 1,215, 602.00 indicating a significant increase. The impact of inflation is still above policy targets and remains important, with bond market volatility likely to stay high. Recent heightened tensions in Israel could add to overall uncertainty and drive safe haven flows. Global growth is expected to slow next year, with some economies forecasted to tip into recession. However, optimism has been building that certain economies could experience soft landings. Inflation, monetary policy, and geopolitical issues will remain key in 2024.</p> <p>Benchmark History Total Fund Investments 3/1/2019 Present 53% MSCI ACWI IMI Net USD / 5% 50% BBg US High Yield TR/50% Credit Suisse Leveraged Loans / 7% Inflation Hedges Custom Index / 35% Bloomberg US Aggregate TR</p> <p>Inflation Hedges 3/1/2019 Present 23% MSCI US REIT / 46% Bloomberg US TIPS TR / 8% MSCI ACWI Energy NR USD / 8% MSCI US IMI Materials NR USD / 15% FTSE Gold Mines PR USD.</p> <p>Trust I, Trust II, Etiquette, and Legal Issues</p> <p>Ms. Williams discussed the OPEB system's complexity and the lack of contributions to Trust II. She mentioned that a discussion about contributions would take place in the first quarter. Christine also emphasized the importance of board etiquette and fiduciary responsibilities in upcoming meetings. She stressed the need to avoid discussions that</p>
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	<p>could legally implicate the Board as plan administrators and outlined the process for seeking legal advice if needed.</p> <p>Advisory Board Member Michael Wirth raised a question about the total debt, which was initially 150 million but had increased to 270 million. He was unsure what the extra money was allocated for, whether it was for retirees or bond issues. Bill Withrow clarified that the Retirement Board is not associated with the bonds and any additional financing of bonds should not be linked to Retirement Board. However, he advised that this matter should be addressed by the legal department. Christine agreed to arrange for financial advisors to be guest speakers so these questions could be addressed. She also mentioned upcoming opportunities to revisit the investment policy statement and to have a deep dive into the private equity structure to address questions for Advisory Board Member Tim Hackett. Retirement Board Member Bill Riley acknowledged the conversation and indicated the Board should move forward with structured protocol.</p>	
<p>XII. Neuberger Berman Investment Performance Review</p>	<p>Mr. Sultan Khan presented the performance review for Trust I with a current market value of \$184,583,234 as of January 19, 2024. Mr. Khan discussed the performance of equity and fixed income markets in 2023, noting that both performed exceptionally well. He highlighted the significant gains made by US equities and the concentration of these gains in large tech companies. Sultan expressed concerns over the market's concentration and chose to maintain a defensive position throughout 2023. However, he noted a shift in sentiment by summer and observed a market rally in the fourth quarter. He also pointed out that the Russell 2000, representing small cap companies, did not perform as well as large cap US companies. Moving forward, Sultan indicated that their 2024 positioning will focus on sectors that have not done as well in comparison to mega cap growth names. Economic Slowdown and Monetary Policy Discussion: Sultan discussed the anticipated economic slowdown in the US and other regions, particularly Europe and China, but opined that these slowdowns were not likely to lead to a severe recession or significantly impact the labor market. He also expressed concerns about China's growth potential due to ongoing regulatory headwinds. Regarding monetary policy, Sultan expected inflation to moderate and for the Fed to eventually cut interest rates, although he did not speculate on when this might occur. He concluded by emphasizing that the US economy was in a stronger position than others, and that the Fed would likely lower rates if inflation continued to trend downwards. Market Risks and Portfolio Allocation: Sultan discussed the potential risks looming in the market, particularly in terms of geopolitics, including issues in the Middle</p>	

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East, China, Taiwan, Russia, and Ukraine. Sultan noted that despite these risks, the market had reached all-time highs and was anticipated to continue trending higher, especially considering the upcoming US 2024 election cycle. Sultan also shared insights on portfolio allocation, suggesting a shift from cash to fixed income, where attractive yields could be found without taking on significant risk. **Equities, China, US Election, and Diplomacy:** Mr. Khan discussed the current state of equities, expressing a preference for small caps due to their relative value and future growth potential. The team maintained a neutral stance on international equities but showed interest in China if signs of economic stimulation emerged. Christine raised the topic of political changes potentially impacting markets, particularly considering the upcoming US election and recent military activity. Sultan responded that the current administration had effectively managed any issues to avoid escalation, and that diplomatic efforts were underway to prevent a broader conflict.

Portfolio Management and Opportunistic Investment Strategy:
The team discussed their portfolio management approach, emphasizing a more conservative strategy and opportunistic investment in risk assets with high-quality managers. They also highlighted the potential for providing liquidity to solve challenges in the private market sector, with examples from the regional banking crisis and the effects of public market exposure changes in 2022. The discussion concluded with Sultan explaining how these situations presented attractive opportunities for their private markets' platform.

Rebalancing Strategy and Fund Reallocation Discussed: Sultan proposed a rebalancing strategy that includes reducing positions in high yield and emerging market debt to reach an allocation size of 8%. He also discussed the decision to remove a specific China-focused Tiger Fund due to poor performance and managerial changes. Sultan explained that the proceeds from this fund would be reallocated to an external ETF while they continue to evaluate the emerging markets space. Additionally, he mentioned that they had reduced their allocation to China due to concerns about the country's trajectory and planned to maintain passive exposure. Sultan also noted that they closely monitor their third-party managers and had frequent discussions with the manager in question.

Commodities Fund Performance and Strategy Review: Sultan discussed the decision to add to the commodities fund as a hedge against potential economic growth and inflation. He acknowledged that commodities had a challenging year in 2023 but noted their strong performance over the past three years. Sultan then reviewed the portfolio's 2023 performance, which was up almost 11%, driven by strong equity and fixed income markets. However, underperformance was primarily attributed to an underweight stance in

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US equities and a value composition within the US large caps. Sultan also mentioned that the manager's international sleeve was a slight detractor due to an overweight to China. Questions were invited on these points. **Team Performance and Future Plans:** The team discussed their long-term performance and outlook. Sultan highlighted the team's successful performance over the past three to five years, with appreciation also expressed for the team's asset allocation strategy by growth. Christine shared encouraging information from a previous meeting, emphasizing the team's significant achievements over the past 11 years and expressing gratitude towards the team. Ed Berman added an update about their gains since April 2012, exceeding \$159 million. Christine emphasized the importance of timely debt service payments and the potential exhaustion of the retiree healthcare trust, noting the need to find a solution for uncovered liabilities. A contingency plan was discussed to replenish the funds if needed. The team also agreed to determine the exact amount needed for the upcoming debt service payment and initiate the necessary paperwork after the meeting. **Next Steps:** (1). Christine will put a private equity discussion on one of the upcoming agendas per a request from Advisory Board Member Tim Hackett (2). Christine will reach out to Ed Berman and his team for a refresher on the investment policy statement. **Investment Policy Benchmark From 12/31/2021 to current** consists of 3% ICE US Treasury 3-Month Bill, 26% Bloomberg U.S. Aggregate, 8% Bloomberg U.S. Corporate High Yield, 8% EMD Blended, 16% S&P 500, 8% Russell 2000, 8% MSCI EAFE, 4% MSCI Emerging Markets, 4% MSCI All Country World, 3% Bloomberg Commodity, 4% HFRX Global Hedge Fund, and 8% Cambridge Associates PE Index. From 6/30/2021 to 12/31/2021 consists of 3% ICE US Treasury 3-Month Bill, 26% Bloomberg U.S. Aggregate, 8% Bloomberg U.S. Corporate High Yield, 8% EMD Blended, 16% S&P 500, 8% Russell 2000, 8% MSCI EAFE, 4% MSCI Emerging Markets, 4% MSCI All Country World, 3% S&P GSCI Commodity, 4% HFRX Global Hedge Fund, and 8% Cambridge Associates PE Index. From 10/31/2013 to 6/30/2021 consists of 30% Bloomberg U.S. Aggregate, 5% Bloomberg U.S. Corporate High Yield, 3% Bloomberg Global Aggregate Ex-USD, 21% Russell 1000, 7% Russell 2500, 10% MSCI EAFE, 5% MSCI Emerging Markets, 4% NAREIT Equity, 3% Bloomberg Commodity, 6% HFRI FoF Composite, and 6% Cambridge Associates U.S. PE Index. From 5/31/2012 to 10/31/2013 consists of 35% Bloomberg U.S. Aggregate, 5% Bloomberg U.S. Corporate High Yield, 23% Russell 1000, 8% Russell 2500, 15% MSCI EAFE, 7% MSCI Emerging Markets, 4% NAREIT Equity, and 3.0% Bloomberg Commodity Index. From 1/31/2006 to 5/31/2012

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	consists of 35% Bloomberg U.S. Aggregate, 30% S&P 500, 10% Russell 2000, 20% MSCI EAFE, and 5% NAREIT Equity Index.	
Schedule Future Board Meetings	The next Retirement Board meeting is scheduled for March 28, 2024, via Zoom from 3 p.m. to 6 p.m.	
XIII. Adjournment	After determination that all Retirement Board business had concluded Chair Withrow adjourned the meeting at 5:40pm	

Minutes taken: Christine Williams

Meeting Materials are posted on the Retirement Board website: <http://web.peralta.edu/retirement-board>.

Agenda Posted: 333 E. 8th Street, Oakland, CA 94606