

**Peralta Community College District  
Retirement Board Meeting Minutes  
January 30, 2025**

Present Board Members: William (Bill) Withrow (Chair), William (Bill) Riley, Meredith Brown, Greg Nelson, Ron McKinley

Absent Board Members:

Absent Advisory Members: Michael Mills, Cannistra, Neuberger Berman; Ed Berman, Neuberger Berman; Sultan Khan, Neuberger Berman

Present Advisory Members: Michael Wirth, Jerry Hermann, Tim Hackett,

Present Board Advisors: Ms. Christine Williams, Jade Turner-Bond, Nixon Peabody LLP; Blake Biscotti, Neuberger Berman and Carlos Torres, Neuberger Berman

| Agenda Item                              | Discussion   | Follow-Up Action |
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| <b>I. Call to order</b>                  | Meeting called to order at 4:10p.m.by Chair Withrow.   |                  |
| <b>II. – VI.</b>                         | Board Members, Advisory Members, Advisors present and absent – listed above.   |                  |
| <b>VII. Approval of Agenda</b>           | Motion to approve January 30, 2024, meeting agenda.<br><b>Approved.</b><br>AYES: 5<br>NOES: 0<br>ABSTAIN: 0<br>ABSENT: 0 |                  |
| <b>VIII. Approval of Meeting Minutes</b> | Motion to approve December 12, 2024, minutes.<br><b>Approved.</b><br>AYES: 5<br>NOES: 0<br>ABSTAIN: 0<br>ABSENT: 0       |                  |

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| <p><b>IX. Report on Closed Session</b></p> <p><b>X.</b></p> | <p><b>Chair Withrow</b> acknowledged the roll call and called the meeting to order at 4:10pm. Chair Withrow asked Ms. Williams to report on the <b>Closed Session:</b></p> <ul style="list-style-type: none"> <li>Adoption of 2025 guideline changes of the Ralph M. Brown Act, as recommended by the Retirement Board's legal counsel Jade Turner-Bond, Nixon Peabody LLP, Janelle Walker, Nixon Peabody LLP and Lisel Wells, Nixon Peabody LLP. The board also discussed reducing the number of meetings from nine to four per year, with the option to hold additional meetings as needed. Lastly, Mr. Torres presented the district's asset liability and strategic asset allocation.</li> </ul> <p>Ms. Williams provided an introduction of the Retirement Board panel before turning the meeting over to Chair Withrow, who then introduced the guest speaker Chancellor Gilkerson.</p> <p><b>Guest Speakers: Chancellor Tammeil Gilkerson, PCCD Financial Strategy</b></p> <p><b>District Financial Strategy:</b><br/>Chancellor Gilkerson's presentation involved a discussion about the district's financial strategy, potential cuts, and the impact of medical trend growth rates on the district's financial status. Chancellor Gilkerson expressed optimism about the district's future, emphasizing the need to address long-term issues and build a pathway forward. She affirmed that a copy of the presentation would be available to the Retirement Board for record keeping, with the final decision expected in early February. Chancellor Gilkerson emphasized that the District cuts were addressing long-term issues and although concerning, would put things in place and build a pathway forward. She mentioned reimagining the District to be in a good place. Jerry Hermann commented that the benefits were moving on a stable trajectory and then suddenly declined. Chancellor Gilkerson shared the fluctuation and the change in Board policy had an impact on both the general fund and the reserves. Dr. Gilkerson informed the Board that the proposals would be presented at the Budget Town Hall meeting, which would be held the next day. She said the proposals will go in front of the Governing Board of Trustees in February, and then the governance process for changes to the policy language and the administrative procedure language. She concluded that the Governing Board would provide directions in early February. Chancellor Gilkerson thanked the Retirement Board for their service and commitment to the district community, retirees, current students, and employees. She</p> |  |

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| <b>XII. Meketa Investment Group Investment Performance Review</b>                     | <p>emphasized her appreciation for the work of the Retirement Board. Retirement Board Members Meredith Brown, Esq., and Dr. Bill Riley greeted Chancellor Gilkerson, welcoming her to the meeting. Retirement Board Chair Bill Withrow commented on a good presentation and made a request to change the date format to the fiscal year July 1, 2004, for pre-2004 hires. The Chancellor agreed to make the change.</p>   |  |
| <b>XIII. Neuberger Berman Asset Liability Study and Investment Performance Review</b> | <p><b>Retirement Board Chair, Bill Withrow</b> provided an update on Trust II's financial performance by provided by the Meketa Investment Group.As of December 31, 2024, over the fiscal year-to-date period, the portfolio has gained 4.1%. This outperformed the benchmark by 10 basis points (4.0%) during the period. The portfolio has gained 10.0% over the trailing one-year period, outperforming the policy benchmark by 30 basis during (9.7%) the period. The calendar year 2024, showed a 10.3% increase and a total of \$1,462,386. Benchmark History: Total Plan net of fees: 03/01/2019 PRESENT 35.0% Blmbg. U.S. Aggregate Index, 53.0% MSCI AC World IMI Index (Net), 5.0% 50% BBg US High Yield TR/50% Credit Suisse Leveraged Loans, 7.0% 90 Day U.S. Treasury Bill Inflation <b>hedged:</b> 03/01/2019 Present 23.0% MSCI U.S. REIT Index (Net), 8.0%\$ MSCI AC World Energy Index (Net), 8.0% MSCI U.S. IMI Materials 25/50 Index (Net), 15.0% FTSE Gold Mines Index (Price), 46.0% Blmbg. U.S. TIPS Index</p> <p><b>Asset Liability Study and Recommendations</b></p> <p>Mr. Torres and Mr. Blake Biscotti representing Neuberger Berman discussed the asset liability study, with Ms. Christine Williams expressing gratitude for the work done by the Neuberger Berman team. The Retirement Board Members considered the implications of recent changes in the administration and the Chancellor's recommendations, noting that Model 2 might better manage liability. Ms. Williams suggested checking in with the Board about the selection, Board Member Meredith Brown, Esq, and Board Member Dr. Bill Riley agreeing to discuss it further. The team decided to lean towards the experts' recommendation upon further review.</p> <p><b>Market Trends and Asset Class Performance</b></p> <p>Mr. Torres discussed the market trends and performance for the full year 2024, highlighting a strong year for risk assets. He noted a significant dislocation in the market, where US stocks outpaced value stocks by almost double. This was due to the US economy exceeding</p> |  |

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expectations. Mr. Torres also discussed the performance of various asset classes, including fixed income, high yield, and emerging markets. He explained the decision to reduce exposure to US large caps and increase exposure to investment grade fixed income and private equity, citing better risk-return dynamics. Mr. Michael Wirth raised questions about the performance of small caps and emerging markets, to which Mr. Torres responded by explaining the trade-offs and the impact of the strong US economy on these markets.

**Tariffs, Economy, and Market Outlook**

Mr. Wirth and Mr. Torres discussed the potential impact of high tariffs and retaliatory tariffs on the markets. Mr. Torres suggested that despite these potential negative effects, economies tend to adjust and become more efficient. He also mentioned that the current administration is pro-growth and pro-business, which could benefit cyclical sectors of the market. Mr. Jerry Hermann asked about the outlook for the current administration's effect on the economy and markets, to which Mr. Torres responded by outlining the expected broadening of returns within the equity market and the potential for higher growth rates in the US. Mr. Torres also mentioned the portfolio's shift towards higher quality fixed income and the potential for increased mergers and acquisitions, which would favor alternative space.

**Health Insurance Cost Increase Discussion**

Greg Nelson, Deputy Chancellor, COO expressed concern about the projected 4% increase in health insurance costs, suggesting it might be too low and could lead to a significant cost increase. He suggested a more realistic projection of an 8 to 10% increase. Mr. Torres clarified that the 4% was a long-term average over 10 to 20 years but agreed to run the numbers again with a higher assumption. Dr. also shared that their insurance broker is projecting an 8 to 10% increase next year. The team agreed to consider these factors in their decision-making. Timothy asked about the timeline for implementing a new strategy, to which Mr. Torres responded that they would be opportunistic and flexible, depending on market conditions. Blake Biscotti raised the issue of potential changes to the investment policy statement, which Ms. Christine Williams confirmed was a consideration.

**Medical Trend Growth Rate Impact**

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Mr. Torres discussed a liability study conducted in late 2024, focusing on the impact of medical trend growth rates on the company's financial status. He presented two key assumptions: a 4% medical trend growth rate and a doubled growth rate of 8%. The study showed that with a 4% growth rate, the present value of liabilities was \$132 million, while assets were \$189 million, resulting in a funded status of 143%. However, with an 8% growth rate, the present value of liabilities jumped to \$229 million, leading to a funded status below 100% at 82%. Mr. Torres emphasized the need to consider these factors when optimizing the company's strategic asset allocation.

**Optimizing Portfolio for Higher Returns**

Mr. Torres discussed optimizing the current portfolio to achieve a higher return for a given level of risk. He presented two model portfolios, MP1 and MP2. The anticipated returns and associated risks were shown on a scatter plot. MP1 included more fixed income and alternative investments to reduce risk by maintaining the same return with less volatility. MP2, on the other hand, maintained the same level of risk but offered a higher return by slightly reducing fixed income and public equities while keeping alternative investments the same.

**Medical Costs and Bond Payment Analysis**

Mr. Torres presented a detailed analysis of the potential outcomes of various levels of medical costs and potential bond payments. He clarified that the 4% increase in health costs was an assumption for the next part of the discussion. Mr. Tim Hackett asked about the alternative umbrella, to which Mr. Torres explained that it involved shifting the percentage allocation of existing assets in the portfolio, not introducing new ones. Ms. Williams asked about the impact of President Trump's initiatives, to which Mr. Torres explained that their model takes long-term assumptions outside of the political landscape. Mr. Torres then moved on to discuss two model portfolios: one that de-risks the portfolio while maintaining similar returns, and another that optimizes the portfolio while keeping the risk constant. He also revisited the funded status given the different assumptions for liabilities.

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**Portfolio Options for Medical Expenses**

Mr. Torres presented two portfolio options for managing medical expenses. The first option, which de-risks the portfolio, would increase fixed income at the expense of high yield and emerging market debt, and decrease public equities. The second option would increase the expected return while maintaining the same level of volatility. Both options would increase investment grade fixed income bonds and alternatives. Jerry raised a question about the impact of retirees' deaths on funding, which Mr. Torres confirmed this information had been considered in the projections.

**Trust I portfolio's performance review**

Mr. Torres presented the portfolio's performance review for Trust I, highlighting a 10% return for the year, outpacing the investment policy benchmark by over 100 basis points. The portfolio's success was attributed to the performance of its three main components: fixed income, public equity, and alternative sleeves. Despite a relative weakness in public equities, the portfolio still generated a 13% return. Mr. Torres emphasized the portfolio's diversified nature, favoring sectors that were unloved in 2024 but are now outperforming tech. He also noted the portfolio's resilience in 2022, when public equities were down, thanks to its diversification within the alternative sleeves. Mr. Torres concluded by stating that 2024 was a good year to demonstrate the portfolio's well-diversified approach.

**Next Steps:**

The Board asked Mr. Torres to run additional projections with higher medical inflation assumptions (8-10% increase). Ms. Christine Williams to share the bond principal payment schedule with Blake Biscotti. Ms. Williams to send out proposed quarterly meeting dates to the board for review. Board members send Ms. Williams emails with topics for future meetings and workshops. Ms. Williams to discuss funding Trust II with Retirement Board Member, Greg Nelson, Deputy Chancellor, COO and including potential reimbursement to stakeholders. 6. Neuberger Berman team to prepare updated asset allocation proposals for the next meeting, incorporating current information on healthcare costs and district changes. 7. Board to further discuss and potentially decide on the proposed asset allocation models (MP. 1 and MP. 2) at a future meeting.

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| <b>XIV. Schedule Future Board Meetings</b> | The next Retirement Board meeting scheduled for April 24, 2025, via Zoom and in person<br>DGS Conference Room 1<br>333 East 8 <sup>th</sup> Street<br>Oakland, CA 94606<br>From: 3 p.m. to 6 p.m. |  |
| <b>XV. Adjournment</b>                     | After determination that all Retirement Board business had concluded Retirement Board<br>Chair Bill Withrow adjourned the meeting at 6:10pm   |  |

Minutes taken: Ms. Christine Williams

Meeting minutes and agendas are available on the Retirement Board website: <http://web.peralta.edu/retirement-board>.