

**Peralta Community College District
Retirement Board Meeting Minutes
December 14, 2023**

Present Board Members: William (Bill) Withrow (Chair), William (Bill) Riley, Nathaniel Jones III, Meredith Brown, Ron McKinley

Present Advisory Members: Tim Hackett, Michael Wirth, Jerry Herman, Michael Mills

Present Board Advisors: Christine Williams, Cheryl Cannistra, Ed Berman, Sultan Khan, Dave Vigo, Carlos Torres

Agenda Item	Discussion	Follow-Up Action
I. Call to order	Meeting called to order at 4:00 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 December 14, 2023, meeting agenda. Approved. AYES: 5 NOES: 0 ABSTAIN: 0 ABSENT: 0	
VIII. Approval of Meeting Minutes	Motion to approve the November 09, 2023, minutes. Approved. AYES: 5 NOES: 0 ABSTAIN: 0 ABSENT: 0	
VII. Report from Closed Session	Retirement Board Chair Withrow acknowledged the roll call and called the meeting to order at 4:00pm.	

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There was no report from Closed Session.

Chair Bill Withrow introduced the guest speaker Will Kane of Total Compensation Inc. and asked him to proceed with his presentation of PCCD's Full Valuation Retiree Health Benefits under GASB 74/75 June 30, 2023.

Mr. Kane explained that the plan has two tiers for retiree health benefits, one for employees hired before July 1, 2004, and another for those hired afterwards. The team agreed to clarify the terminology used for the two tiers by specifying the exact date instead of using "2004".

Evaluation Terminology and Employee Reduction in GASB 75 Plan
Will explained the evaluation terminology under GASB 75, including the total OPEB liability, fiduciary net position, net OPEB liability, and service cost. They noted that new employees start with a total OPEB liability of \$0 and earn it over their career. Will also outlined the three separate actuarial evaluations they conduct for financial reporting, and the necessity for a third alternate valuation for the Pre 2,004 plan. Advisory Board Member Jerry Hermann and Total Compensation's Will Kane then discussed the significant reduction in active employees and retirees under plan, attributing the decrease to retirees' mortality rate and possibly some dropping coverage. Advisory Board Member Michael Mills raised concerns about the number of retirees and dependents, and Mr. Kane confirmed that this information reflected in their valuation and affects the cost for the district.

Financial Evaluation of Post-2004 and Pre-2004 Plans The discussion revolved around the financial evaluation of the post-2004 and pre-2004 plans. The post-2004 plan, despite slight growth, experienced a 3-million-dollar reduction in liability due to the change to SIS Medical, which offset by a slight decrease in the net position. The pre-2004 plan, on the other hand, saw a 43.4 million dollar decrease in liability, mostly due to the change to the SIS medical plan and a decrease in the number of retirees. The group clarified that these changes resulted in savings, despite appearances to the contrary, and that these savings are not recurring. Mr. Kane talked about the possibility of future savings with the consensus being that future savings would depend on the choices of retirees.

Switching Plan Calculation and Funding Evaluation A detailed discussion about the calculation of the 34 million dollars decrease by switching to a different plan. The figure calculated by comparing the liability under the previous premiums and the new premiums under SIS. They also explained that the district pays per retiree, and any reported district paid benefits are included in the calculation. The team also addressed the question about the bond's value,

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**XI. Executive Administrator
Report and Meketa Investment
Performance Update**

stating that it does not affect the numbers. The funding evaluation showed a decrease in the accrued liability and asset value due to a 17-million-dollar withdrawal from the trust, even though the investment return was around 6%.

Trust Fund Withdrawal Protocols Discussed Christine Williams, Executive Administrator to the Retirement Board and Advisory Board Member Jerry Herman discussed the protocols for handling withdrawals from the Trust, including reimbursements for healthcare benefits and debt service payments. The discussion included the emphasis on the importance of transparency and validation of these transactions, which are vetted and presented to the Board for approval. Mr. Herman raised a question about the responsibility of the Trust fund for debt service payment, to which Christine responded that the Retirement Board is legally bound by the 2005 indenture of the Trust to adhere to court orders that clarified the two reasons for withdrawals from the Trust are retiree health benefit reimbursements and OPEB bond debt service payments and all transactions must comply with the Indenture of the Trust.

District Finance: Surplus, Liability, and Concerns: Ms. Williams and Advisory Board Member Jerry Herman discussed the financial situation of the District, focusing on the definition of surplus and the legal obligations the District must provide proof of the surplus and funds not needed in the future for Retiree Healthcare Reimbursements from Trust I. There was a conversation about the outstanding bonds of 260 million and the liability associated with it. Christine clarified that if the debt service is paid, Neuberger Berman will remain in control as investment advisors of the monies in Trust I. Advisory Board Member, Michael Mills, raised concerns about the increased bond liability from 156 million to 260 million, questioning whether more bonds floated to pay off the interest. Christine acknowledged the complexity attributed to the situation was current market conditions impact the District's ability or inability to sell or refinance bonds. Ms. Williams reminded the Board that the District has Financial Advisors who help mitigate risk regarding the bonds.

Trust Oversight and Financial Report Discussion

Christine addressed concerns raised by the Advisory Board Members, promising to bring in keynote speakers who will specifically address the issues. The Board noted the successful fiduciary oversight of the Trust over the past 18 years. Following this, Will Kane presented a financial report indicating that the District has a negative, unfunded liability of 72.7 million dollars, meaning the plan is overfunded. He also mentioned that a full valuation be performed next year unless there are any major changes. The discussion concluded with Mr. Herman

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	<p>inquiring about the impact of retirement age on the liability, which Will confirmed is used for consideration in their actuarial assumptions.</p> <p>Board Addresses Transparency and Trust Issues. The Board emphasized the importance of transparency and control in managing the Trust, acknowledging the challenges of changing mindsets and navigating legal complexities. Christine also mentioned the need to revisit Trust I protocols for withdrawals to ensure transparency. The Board highlighted the importance of website security and the ongoing collaboration with the District and Retirement board. They also outlined plans for 2024, including guest speakers and a focus on transparency. Advisory Board Member Michael Mills asked for clarification on the status of benefit transparency issues. Ms. Williams agreed to schedule guest speakers who would help provide more clarity in transactions affecting the retiree health benefits while Retirement Board Members focus on transparency around reimbursements from Trust I.</p> <p>Ms. Williams started the report on Trust II by confirming the fund balance on 6/30/23 was 1,258,267.00 and most recent report on 9/30/23 was 1,215, 602.00 a decrease of \$42,665.00.</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. Ms. Williams shared with the Board the accomplishment of Tim Filia, a Managing Principal at Meketa who was named Chief Investment Officer Magazine’s 2023 Knowledge Broker. The information was published at: https://www.businesswire.com/news/home/20230920563913/en https://www.ai-cio.com/lists/2023-knowledge-brokers/?pid=84096</p>	
<p>XII. Neuberger Berman Investment Performance Review</p>	<p>Mr. Sultan Khan discussed the market performance and portfolio analysis of Trust I. Sultan reported the strong performance of the markets in the year to date, with a notable mention of the resilience of the economy and the healthy consumer. They also highlighted the outperformance of growth-oriented stocks over value stocks. Sultan then moved on to discuss the performance of various sectors, with a focus on sectors like technology, consumer communication services, and consumer discretionary, which performed well due to their ability to generate cash and protect</p>	

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their profit margins. However, sectors like utilities and healthcare did not perform as well. Sultan also discussed the performance of the portfolio, noting that while it outperformed in November, it underperformed the policy benchmark due to an underweight in equities and a value composition in the US large cap equities. They also mentioned the impact of international equities, particularly emerging market equities, on the overall performance. **Private Equity Portfolio Performance Discussed** Sultan discussed the performance of private equity strategies and proposed further allocations to maintain a steady state of private markets exposure in the portfolio. They highlighted the advantages of private equity, such as higher rates of return and diversification benefits, while acknowledging the trade-offs, including longer investment horizons and liquidity risks. Mr. Khan also explained the cash flow dynamics of private equity and modeled the expected distributions and capital calls in the coming years. Ms. Williams inquired about the annual disbursement for private equity, and Sultan clarified that while there are net surpluses in the private equity sleeve, the target continues to decline due to distribution payments. Finally, Christine noted that the size of these investments is small relative to other portfolios, making them suitable for institutional grades. Mr. Kahn also referenced the historical internal rates of return for current private equity investments. Ed Berman, Neuberger Berman shared a performance report with a quarterly summary of contributions and withdrawals, highlighting a net gain of 146 million dollars in the last 11 years. **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

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	<p>1/31/2006 to 5/31/2012 consists of 35% Bloomberg U.S. Aggregate, 30% S&P 500, 10% Russell 2000, 20% MSCI EAFE, and 5% NAREIT Equity Index.</p> <p>Retirement Board Members: Retirement Board Chair Bill Withrow, Board Member Dr. Bill Riley, Board Member Meredith Brown, Esquire, Board Member Dr. Ronald McKinley, and Board Member Dr. Nathaniel Jones III thanked all teams and Advisory Board Members for their time, dedication, and yearlong participation in the meetings. The Board emphasized the importance of working together as a team to achieve success. Chair Withrow called the meeting adjourned at 5:45pm.</p>	
Schedule Future Board Meetings	The next Retirement Board meeting, January 25, 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 5:45pm	

Minutes taken: Christine Williams

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

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