

**Peralta Community College District  
Retirement Board Meeting Minutes  
March 30, 2023**

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

Absent Board Members: Ronald McKinley

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

Present Board Advisors: Christine Williams, Cheryl Cannistra, Ed Berman, Sultan Khan, Dave Vigo, Peralta Community College District Budget Director

Guests: Will Kane, Total Compensation Inc.; Sean Williamson, Neuberger Berman Managing Director, Head of Employee Platform

Agenda Item	Discussion	Follow-up Action
<b>I. Call to order</b>	Meeting called to order at 4:00 p.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 the March 30, 2023, meeting agenda. <b>Approved.</b>  AYES: 4 NOES: 0 ABSTAIN: 0 ABSENT: 1	
<b>VIII. Approval of Meeting Minutes</b>	Motion to approve the February 23, 2023, minutes. <b>Approved.</b> AYES: 4 NOES: 0	



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**Mr. Williamson** started his presentation with a personal introduction. Mr. Williamson joined the firm 11 years ago with a focus on the firm’s employee experience. He shared information regarding the firm’s high employee retention rate. Mr. Williamson affirmed Neuberger Berman’s commitment to Equity, Inclusion & Diversity. He stated that Neuberger Berman believes firms perform better for clients and stakeholders when there is a diverse population, in a truly equitable and inclusive environment. Mr. Williamson stated diversity alone is not enough and continued his presentation by defining the meaning of **Equity, Inclusion and Diversity**.

**Equity** is taking action to create a fair and unbiased environment where all can thrive.

**Inclusion** is having a voice in the process; a voice that is heard, valued, and respected.

**Diversity** is taking action to create a fair and unbiased environment where all can thrive; and is a broad set of attributes, characteristics, and experiences that encapsulate our similarities and differences. Sean shared the views of the EID Executive Leadership team starting with **Andy Johnson, Senior EID Leader, Former Head of Investment Grade**

**Fixed Income** “Equity acknowledges that people start from different places and that we need to meet them where they are, embrace their differences as strengths, and create an environment where every individual can flourish.”, **George Walker Chairman & CEO**, “We approach and measure diversity with the same accountability, transparency and rigor as we do with investment performance and client retention. As employee owners, our firm’s EID efforts deeply reflect the belief system and values of our people.” **Pat Miller Zollar, Head of North Bound Private Equity, Managing Director**, “Having diversity of all kinds – backgrounds, working styles, education, and perspectives – leads to stronger decision making. It is through independent perspectives, rooted in the ability to bring our whole selves to work every day, which leads to richer dialogue and improved outcomes.”

Mr. Williamson provided a demonstration of the impact on Neuberger Berman culture and productivity:

**Leads** to better decision making and problem solving (1) “People work harder in diverse environments both cognitively and socially. Diversity encourages the search for novel information and perspectives, leading to better decision making and problem solving.”

**Drives** innovation and new ways of thinking (2) “One of the best ways to boost their [businesses] capacity to transform...their products may involve hiring more women and

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culturally diverse team members. Hiring individuals who do not look, talk, or think like you can allow you to dodge the pitfalls of conformity, which discourages innovative thinking.”

**Helps** to deliver improved outcomes for our clients (3) “Differences in how people think — differences in problem representations, categorizations, knowledge bases, heuristics, technical and tacit skills, and experiences — are what enable teams to find more novel solutions and develop more creative solutions...”.

**Mr. Williamson** shared a robust presentation that clearly communicated Neuberger Berman’s Commitment to Improving themselves and helping others by benchmarking and survey participation that promotes positive impact and enables the sharing of best practices.

**Second guest speaker: Will Kane, FSA, EA Consulting Actuary Total Compensation Inc.** provided actuarial study information, Review, and Assumptions based on GASB 74/75 for Trust I and Trust II. Mr. Kane presented the Retiree Health Valuations for Peralta June 30, 2022, full valuation. The purpose of the valuations is to assign a dollar value based on today’s dollar for what the District owes to its promise to provide future retiree health benefits. The expected return on investments is used as the interest rate.

The valuations are based on the number of active employees and the length of time they will be paying for health services.

The results of the valuation revealed that the District is paying less to its employees than before the pandemic. The network type liability is the amount of what is owed to the plan more than what has been set aside. Employees earn benefits of the plan over their career through the service cost. Mr. Kane discussed three valuation options for the post-2004 plan: (1). the GASB 75 valuation, (2). for the pre-2004 plan, and (3) for Trust I.

He provided an overview of how the district's debt and benefits work.

- Peralta CCD offers two tiers of retiree health benefits which are treated as two separate OPEB plans
  - If hired prior to January 1, 2004:
    - Full medical premium paid by District, including dependent coverage
    - Lifetime benefit
    - Must retire from District to be eligible
    - Currently applies to about 170 active employees and 640 retirees
  - If hired on or after January 1, 2004:
    - Medical premium paid by District, up to the PPO-lite rate

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- Benefit only payable until Age 65
- Must retire from District with 10 years of service to be eligible
- Currently applies to about 630 active employees and 20 retirees

Actuarial Valuation Overview

We produce three separate actuarial valuation reports for Peralta

- 1) GASB 75 valuation for the post-2004 plan
  - Provides information necessary for financial reporting
  - Trust II meets the criteria as a qualifying trust under GASB 75:
    - Trust balance can be reported directly under GASB 75 to offset the liability
    - Valuation interest rate based on a blend of the expected return on investments and a municipal bond index (blended rate is 4.06% for 2022)
- 2) GASB 75 valuation for the pre-2004 plan
  - Provides information necessary for financial reporting
  - Trust I does not meet the criteria as a qualifying trust under GASB 75:
    - Liability is reported without any offsetting asset balance
    - Valuation interest rate must be based on a municipal bond index (3.54% for 2022)
- 3) Funding valuation for the pre-2004 plan
  - Every year or two, we are asked to determine the pre-2004 accrued liability as if Trust I was a qualifying trust:
    - Valuation interest rate based on expected return on investments (5.90% for 2022)

Change to SISC Medical Plan

- In 2022, Peralta was considering participating in the Self-Insured Schools of California medical pool.
- We were asked to estimate the effect of this change on the GASB 75 liabilities
  - Pre-2004 Plan: \$37.9M decrease in accrued liability and \$480,000 decrease in Service Cost
  - Post-2004 Plan: \$3.7M decrease in accrued liability and \$350,000 decrease in Service Cost
- Our understanding is that the College moved forward with the change to SISC Medical

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- We will incorporate this change directly in the June 30, 2023, actuarial valuations

Looking to June 30,2023 and beyond

- Anticipate performing full valuations
  - GASB 75 requires a full valuation to be performed every two years
  - In-between years can be satisfied via a roll-forward valuation
  - However, due to the change to SISC Medical, Peralta will need another full valuation for 2023
  - A roll-forward approach can then be used for 2024
- Pre-2004 liability should shrink over time as benefits paid outpace new benefits earned and interest charges
  - Expect volatility in full valuation years when demographic experience and healthcare costs are examined
  - GASB 75 liability also subject to changes in market interest rates
- Post-2004 liability will continue to grow over time as new benefits earned and interest charges outpace annual benefit payments

**Advisory Board Member Michael Mills** expressed concern about the cost of the debt and how it will be paid in the future. He suggested providing more transparency and a greater level understanding to the constituents of the Trust to alleviate concerns. **Board Member Riley** provided clarity on the separation of duty between the Governing Board and the Retirement Board. He suggested that the concerns of transparency around the District's ability to meet future obligations go before the Governing Board of Trustees. He stated that the Retirement Board's fiduciary responsibility is to manage the oversight of funds in Trust I and Trust II. **Advisory Board Member Michael Wirth** recommended a more conservative interest rate for the liabilities, and **Christine** suggested that the Actuarial and Neuberger Berman meet, discuss, and agree on the rate since it involved a projected return on investments. She also recommended that the two firms take Advisory Board Member Wirth's recommendation into consideration and provide an opinion on the results. **Alternate Board Member Adil Ahmed** agreed with Advisory Board Member Michael Mills that the public opinion does not match the reality of Trust I because Trust I is performing very well. He continued that the district's debts are paid with 8 million from Trust I and 8 million from the General funds. Mr. Ahmed affirmed that the district has always paid their obligations with the surplus and continues to cover the retiree health care benefit

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	<p>every year. He stated that the Trust is performing very well and doing what it is supposed to. Mr. Kane acknowledged and agreed with Adil’s comments. Mr. Kane also agreed that meeting with Neuberger Berman to discuss potential return on investments was an effective way to ensure accuracy. <b>Board Member Nathaniel Jones</b> weighed in from a financial perspective. He stated we need to look at not only the impact on the valuation of the Trust, but also on the ability of the District to contribute at a certain level. He concluded that there are multiple perspectives taken into consideration when determining whether the rate should change. Mr. Kane concluded his presentation stating that he did not anticipate another decrease in liabilities next year based on these estimates. However, he would not know for sure until the data was collected.</p>	
<p><b>XI. Meketa Investment Performance Review</b></p>	<p><b>Ms. Williams</b> stated due to the conservative minimal risk investment policy only a slight change had occurred with Trust II. The market value as of February 28, 2023, remained 1,188,709. The Major Benchmark Returns   As of February 28, 2023, by 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 Inflation Hedges 3/1/2019 Present 23% MSCI US REIT (Real Estate Investment Trusts) / 46% Bloomberg US TIPS (Treasury Inflation Protected Securities) TR / 8% MSCI ACWI Energy NR USD / 8% MSCI US IMI Materials NR USD / 15% FTSE Gold Mines PR USD. The beginning market value remained \$1,154,369 with an ending market value of \$1,188,709. The overall return was 3%.</p>	
<p><b>XII. Neuberger Berman Investment Performance Review</b></p>	<p><b>Mr. Sultan Khan</b> joined the meeting via Zoom. Mr. Khan provided an update on Trust I’s performance with a current market value of \$184,715,893. The portfolio composition as of February 28, 2023: Cash &amp; Fixed Income \$91,261,740, 49.41 % of I portfolio; Equity \$67,365 917, 36,47 % of portfolio, Real and Alternative Assets \$26,088,236, 14.12% of portfolio. Mr. Khan presented what the firm did March was very tactical, and they saw things unfold in the marketplace and were able to take advantage of certain strategies. There was a lot of growth in stocks and were able to lock in some of those gains realized in the middle of March. He explained locking in an implementation that produced gains in both Fixed-income and Equity was successful. He normally recommends more defensive stock but is recommending more exposure in other equities that will provide more downside protection. The same is true with Fixed Income. Reducing credit exposure on the emerging markets side while reducing uploading rate exposure. We do think the rate hike cycle is</p>	

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	<p>ending. The portfolio is positioned to a more fixed rate high yield where there is a good opportunity in the high yield market. You are getting about a 9% yield. We have positioned a particular strategy with a higher quality than the floating rate. There are a lot of underlying rotation changes that we are monitoring closely. Considering our defensive positioning, we are still able to maintain a performance return close to the underlying benchmark.</p> <p><b>Investment Policy Benchmark From 12/31/2021 to current</b> 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&amp;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&amp;P 500, 8% Russell 2000, 8% MSCI EAFE, 4% MSCI Emerging Markets, 4% MSCI All Country World, 3% S&amp;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 consists of 35% Bloomberg U.S. Aggregate, 30% S&amp;P 500, 10% Russell 2000, 20% MSCI EAFE, and 5% NAREIT Equity Index.</p>	
<p><b>Schedule Future Board Meetings</b></p>	<p>The next Retirement Board meeting is April 27, 2023, from 3 p.m. to 6 p.m. via Zoom.</p>	
<p><b>XIII. Adjournment</b></p>	<p>The meeting adjourned at 6:20 p.m.</p>	

Minutes taken: Christine Williams

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

Agenda Posted: 333 E. 8<sup>th</sup> Street, Oakland, CA 94606



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