

**Peralta Community College District
Retirement Board Meeting Minutes
May 25, 2023**

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

Absent Advisory Members: Michael Mills,

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

Present Board Advisors: Christine Williams, Cheryl Cannistra, Ed Berman, Sultan Khan, Dave Vigo, PCCD Budget Director

Guests: Nick Waugh (President) Madrone Community Development Foundation Former Director, Public Finance Ratings, S&P Global Rating; Dave Olson, Backstrom, McCarley & Berry

Agenda Item	Discussion	Follow-Up Action
I. Call to order	Meeting called to order at 4:01 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 May 25, 2023, meeting agenda. Approved. AYES: 3 NOES: 0 ABSTAIN: 0 ABSENT: 2	
VIII. Approval of Meeting Minutes	Motion to approve the April 27, 2023, minutes. Approved. AYES: 3 NOES: 0 ABSTAIN: 1	

**Peralta Community College District
Retirement Board Meeting Minutes
May 25, 2023**

BBB- Investment Grade: Adequate capacity to meet financial commitments, but more subject to adverse economic conditions.

Dave Olson shared that the District is currently in a rating review with Moody's. The District's consistent improvement with fund balance levels has helped improve and maintain a good credit rating. Mr. Olson commented on the different ratings from different agencies based on different types of bonds. He confirmed that the AA- rating was the most recent rating that the District received on the General Obligation Bond sale. The current rating of AA- has been applied by both S&P and Finch. Moody's has a much lower rate for a variety of reasons in which the District is working with Moody's to correct. Mr. Olson said that the Moody's rating is currently BBB.

Board Member Jones- asked Mr. Waugh about the 1-year trends and their impact to cause concern against certain benchmarked levels. Mr. Waugh's answer was that trends would have to show a consistency of a particular concern before it would become an outlining factor for rating determination.

Advisory Board Member Jerry Herman confirmed the District's rating of AA-. Mr. Waugh confirmed and described the AA- rating as strong based on the S&P. Mr. Herman commented after Dave Olson's explanation that the different rating agencies have different criteria and asked the questions "how do you know which one to use?" He continued to say that the District uses the Moody rating which continues to be lower and cause concern.

Mr. Waugh explained that rating analysts can impact the interpretation of financial findings and how those findings will impact a District's access to credit.

Chair Withrow- Asked Mr. Waugh about the number of years rating agencies look back at financials to determine a District's trends. **Mr. Waugh** confirmed 2 years.

Chair Withrow called on Mr. Dave Olson with Backstrom, McCarley and Berry to present the action item for the OPEB Bond Debt Service Payment on the agenda.

Board Member Jones- Introduced Mr. Olson and provided the introductory context for 9.8-million-dollar OPEB Bond payment request based on the surplus in Trust I. Board Member Jones reminded the Board that the presentation Mr. Olson was sharing had been presented to the District first and on several previous occasions to the Retirement Board.

**Peralta Community College District
Retirement Board Meeting Minutes
May 25, 2023**

	<p>Board Member Jones assured the Board that the request was being presented according to the Retirement Board’s procedures.</p> <p>Mr. Olson presented the formal request to the Retirement Board for the August 4, 2023, OPEB Bonds Debt Service Payment of 9.8 million on behalf of the District. The request was made according to the Retirement Board’s written protocol and was signed by Chancellor Jackson. Mr. Olson stated that payments have been consistently made on behalf of retired employees and that the request for the debt service payment was consistent with past requests. Mr. Olson said that the Board of Trustees decided in the previous Board meeting that there was a surplus in Trust I and gave the approval to make the request to the Retirement Board for 9.8 million. He said that Trust I is fully funded meaning that funds on hand are sufficient to make future OPEB Benefit Payments based on current actuarial assumptions. Mr. Olson pointed out that investment returns have been strong and are expected to remain strong over the long term.</p> <p>Chair Withrow clarified the Retirement Board’s position after Mr. Olson’s statement regarding the Board of Trustees’ decision. Chair Withrow affirmed that the Retirement Board has the authority and autonomy to approve and denied request based on the Retirement Board’s fiduciary duty to the Trust.</p> <p>The District made a request to the Retirement Board for 9.8 million for the upcoming debt service payment due August 4, 2023. Chair Withrow called for a vote and a motion to approve the request, the motion was so moved and passed with (4) Ayes: (1) Absent (0) Abstains</p>	
<p>XI. Meketa Investment Performance Review</p>	<p>Ms. Williams presented the investment updates for the PCCD Trust II Investment performance review as of March 31, 2023, which was provided by Tim Filla, Meketa Investment Group. Beginning market value: 1,154,369.00 Ending market value: 1,222,160. Peralta Trust II’s performance update from the first calendar quarter of 2023. Despite volatility during the quarter, public markets, except commodities, finished the first quarter of 2023 in positive territory adding to the strong gains from the fourth quarter of last year.</p>	

**Peralta Community College District
Retirement Board Meeting Minutes
May 25, 2023**

- The fund returned 5.9% in the quarter and outperformed the policy benchmark by 70 basis points.
- All asset categories produced positive results during the quarter.
- Growth assets provided the strongest absolute and relative returns earning 8.0% during the quarter and outperforming the ACWI IMI benchmark's return of 6.9%
- For the fiscal year, the fund has returned 6.6% and outperformed the policy benchmark by 80 basis points.
- The fund's allocation to First Eagle Gold had a notably strong performance of 10.9% during the quarter and since inception ins the highest performing line item in the portfolio.

• US equity markets (Russell 3000) rallied in March (+2.7%) finishing the first quarter in strongly positive territory (+7.2%). Growth significantly outperformed value for the quarter, driven by the technology sector. • Non-US developed equity markets (MSCI EAFE +2.5%) also posted positive returns in March. They returned 8.5% for the quarter, finishing ahead of US equities. • Emerging market equities had positive returns for the month (+3.0%) supported by Chinese equities (+4.5%) and a weaker US dollar. They trailed developed market equities for the quarter partly due to higher US-China tensions. • On expectations for lower inflation and concerns over the banking sector, bonds rallied in March, with the broad US bond market (Bloomberg Aggregate) rising 2.5%. For the quarter, the broad US bond market was up 3.0%. → This year, the path of inflation and monetary policy, slowing global growth, and the war in Ukraine, as well as recent pressures in small- and medium-sized regional banks in the US, will all be key.

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

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

Advisory Board Member Tim Hackett asked Christine why Trust II portfolio assets were allocated so differently from Trust I pertaining to Private Equity. Ms. Williams response was based on the Investment Policy Statements that provided guidance for both Trust assets' allocations. **Chair Withrow** commented on the questions and discussed the

**Peralta Community College District
Retirement Board Meeting Minutes
May 25, 2023**

	<p>difference in the monetary size of Trust 1, which allows for more flexibility with asset allocation. He pointed out that with only 1 million dollars invested in Trust II it caused limitations on investment options. Ms. Williams asked if there were any more questions and hearing none reaffirmed Board Member Brown's request for the next Retirement Board meeting to revisit the 2017 FCMAT recommendations to the District for the OPEB Bonds.</p>	
<p>XII. Neuberger Berman Investment Performance Review</p>	<p>Mr. Sultan Khan provided an update on Trust I's performance with a current market value of \$188,929,136. Better than expected earnings for Q1 helped risk assets, with international pockets outperforming with a weaker U.S. Dollar. The Fed's repricing triggered a Risk-On Rally. The portfolio composition of April 30, 2023: Cash & Fixed Income \$94,718,008, 50.13 % of portfolio; Equity \$67,379,389, 35.66% of portfolio, Real and Alternative Assets \$26,831,739, 14.20% of portfolio. 1-year trailing Peralta Portfolio 0.17%, IPS Benchmark 0.82%, Style-Weighted Benchmark -0.24%, Allocation Effect -1.06%, Selection Effect – 0.419%, Total Effect -0.66%</p> <p>Mr. Khan started his presentation by highlighting that the market has an upside. Mr. Khan provided Mr. Hackett with the correct allocation for the Trust I Private Equity allocation, which is 8% of the portfolio. Mr. Khan said you can paint a picture of optimism or of doom and gloom. Neuberger Berman takes the middle ground in terms of caution and defensive. And the narrative really is a function of where you are along that spectrum. Neuberger Berman takes the middle ground in terms of being cautious and defensive, while recognizing that the economy is somewhat resilient. The consumer anchors on resiliency and has done rather well to support the economy so far. However, they are clouds on the horizon, as it relates to inflation. Inflation has been moderating, coming down from 9.5, 10 to 5, and 5.5. We still have room to cut from 5.5 all the way down to the target of 2 with the labor market. The fed wants to make sure that the labor market is trending up a little bit. Wages are growing more than inflation, which is again, is not a good thing for the fed to see. They want to make sure that inflation is coming down at a reasonable clip. And then, finally, we have rates that have gone from 0 to 5, to 5 and a quarter percent. Clearly there's a lag effect of how that rate component hits the economy. Traditionally, it takes anywhere between 18 to 24 months for some of those policies to work their way through the economy, and we're starting to see some of those signs. US Large Cap and Fixed Income are both sensitive to interest rates. Interest rates</p>	

**Peralta Community College District
Retirement Board Meeting Minutes
May 25, 2023**

	<p>declined a bit, and this was accreted by both asset classes. Equities did well both domestic and international. US Large Cap increased 7.5 and of that, 5 stocks, with an S&P 500 index, Apple Microsoft, Tesla, Nvidia, and Facebook accounted for 5.2 of the 7.5. A lot of the value-added names didn't do so well, and the market was a mirror image of last year. Long duration and commodities continued to do well. 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 consists of: 35% Bloomberg U.S. Aggregate, 30% S&P 500, 10% Russell 2000, 20% MSCI EAFE, and 5% NAREIT Equity Index.</p>	
<p>Schedule Future Board Meetings</p>	<p>The next Retirement Board meeting is scheduled for June 29, 2023, from 3 p.m. to 6 p.m. via Zoom.</p>	
<p>XIII. Adjournment</p>	<p>After determination that all Retirement Board business had concluded Chair Withrow adjourned the meeting at 5:30pm The meeting adjourned at 5:30 p.m.</p>	

**Peralta Community College District
Retirement Board Meeting Minutes
May 25, 2023**

Minutes taken: Christine Williams

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

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