

**Peralta Community College District
Retirement Board Meeting Minutes
Sept 26, 2024**

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

Absent Board Members: 0

Absent Advisory Members: Jerry Hermann, Michael Mills

Present Advisory Members: Tim Hackett, Michael Wirth,

Present Board Advisors: Christine Williams, Jade Turner-Bond, Cheryl Cannistra, Ed Berman, Sultan Khan, Carlos Torres, Marla Powell,
Acting Associate Vice Chancellor of Finance

Guest Speakers: Gilbert Lappano, Senior Security Engineer Neuberger Berman

Agenda Item	Discussion	Follow-Up Action
I. Call to order	Meeting called to order at 4:05p.m. by Chair Withrow.	
II. – VI.	Board Members, Advisory Members, Advisors present and absent – listed above.	
VII. Approval of Agenda	Motion to approve September 26, 2024, meeting agenda. Approved. AYES: 5 NOES: 0 ABSTAIN: 0 ABSENT: 0	
VIII. Approval of Meeting Minutes	Motion to approve August 29, 2024, minutes. Approved. AYES: 5 NOES: 0 ABSTAIN: 0 ABSENT: 0	
	Chair Withrow acknowledged the roll call and called the meeting to order at 4:05pm.	

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<p>IX. Report on Closed Session</p>	<p>Chair Withrow asked Ms. Williams to report on the Closed Session. Ms. Williams discussed the outcomes of the closed session, the asset liability study, and the Brown Act enhancements to the agenda recommended by legal counsel. Ms. Williams shared that the faculty and students from Merit College’s Cyber Security Program were invited to attend the presentation on Cyber Security. Ms. Williams commented on Neuberger Berman’s cybersecurity measures, defense-in-depth strategy, measures to prevent and detect phishing and other malicious activities. The conversation ended with a report on Neuberger Berman's site visit, the performance of equity and fixed income markets in 2024, and the current state of the US economy. Actions items from closed session: Christine presents legal counsel's suggestions for Brown Act improvements to the Board for review and voting. Christine to implement suggested changes to the agenda based on legal counsel's recommendations for Brown Act improvements, pending Board approval.</p>	
<p>X. Guest Speaker: Gilbert Lappano, Senior Security Engineer Neuberger Berman</p>	<p>Cybersecurity Presentation: Mr. Lappano began his presentation with an introduction to his background, role and responsibilities with Neuberger Berman as the Senior Security Engineer. He presented a slide deck about the firm's cybersecurity program. Cybersecurity Measures and Team Roles Discussion Mr. Lappano discussed the company's cybersecurity measures, emphasizing the importance of confidentiality, integrity, and availability of information. He mentioned that they adhere to ISO 27001 and use the NIST Cybersecurity Framework for annual gap analysis. Mr. Lappano also introduced the Chief Information Security Officer, Anthony, who reports to an operational risk committee. Mr. Lappano outlined the roles of the security architecture, engineering, and operations teams, as well as the governance, identity and access management, and regulatory compliance teams. Gilbert also mentioned the 18 CIS controls and the company's standards and policies. Mr. Lappano described how the firm manages global information security implications and requirements, to include strategic, personnel, infrastructure, policy enforcement, emergency planning, security awareness, and other resources. Mr. Lappano discussed the details of Neuberger Berman’s 24x7 Security Operations Team and their ability to leverage people, processes and technology to prevent, detect, analyze, and respond to security incidents. Cybersecurity Measures and Global Threats Discussion Gilbert discussed the various layers of defense in place to protect against cyber-attacks. He highlighted the use of proxies, firewalls, data loss prevention tools, monitoring systems, and encryption to prevent unauthorized access and data breaches. He also mentioned the importance of access control, regular attestation, and multi-factor authentication to ensure secure access to data. Gilbert emphasized the need to protect against ransomware,</p>	

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<p>XI. Executive Administrator Report and Meketa Investment Performance Update</p>	<p>which often involves phishing attacks and account takeovers. He noted that these security measures are in place to address the challenges posed by global threats and to prevent data loss. Christine asked about the most notable global threat, to which Gilbert responded that ransomware is a significant concern.</p> <p>The presentation concluded with additional comments from Mr. Berman and Ms. Williams. Ed Berman, Neuberger Berman-Co-President and Head of Institutional Trust - Investment Management, Fiduciary Services and Retirement businesses discussed the strict procedures around cash distributions from the Trust, emphasizing the importance of authorized signers and the callback process. Christine Williams, Executive Administrator to the Retirement Board, added that the process starts with a protocol of authentication and justification of the request before board approval. Once approved by unanimous vote in a scheduled board meeting according to the Brown Act, then Neuberger Berman starts their process of authentication as described by Mr. Berman. The entire process can take up to 45 days. The process involves multiple steps of authentication and approval which include written, verbal and in person verification.</p> <p>Ms. Williams started the Executive Administrator’s report acknowledging new members of the Neuberger Berman staff, Gilbert Lappano, Senior Security Engineer, Sarah Strobe, Neuberger Berman Client Service Analyst working with Cheryl Cannistra and Iris Li, UC Berkeley Senior majoring in Economics and working with Christine Williams. Ms. Williams reported on the annual in-person 2024 site visit.</p> <p>Site Visit Objectives:</p> <p>The objective of the Neuberger Berman site visit is to conduct a due diligence review of the Custodian and Discretionary Trustee Services RFP, No. 2017-18/19. Identify and examine security checkpoints and measures, Cyber Security systems, and the overall thoroughness of physical, administrative, and technical safeguards of confidential client information used, transmitted, and stored by the firm. Observe and discuss the firm's approach to maintaining innovation and competitive advantages. Discuss Trust I portfolio strategies based on current market influences.</p> <p>On September 11, 2024, starting at 9:00am, EST, Ms. Christine Williams conducted a site visit of the Neuberger Berman headquarters to affirm the company’s physical location, security</p>	
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systems, and organizational support structure on behalf of the PERALTA COMMUNITY COLLEGE DISTRICT Retirement Board.

Order of Business:

9:00-9:15am ET

Firm Update

Edward Berman, Co-President & Head of Institutional Trust

Cheryl Cannistra, Head of North America Institutional Client Service

9:15am - 9:30am ET

Welcome to NB

George Walker, Chairman and CEO

9:30am - 10:00am ET

Cyber Security

Gilbert Lappano, Senior Security Engineer

10:00am - 10:30am ET

Asset Allocation Discussion

Yazhong Wang, Zhengyang Su, Sultan Khan, Carlos Torres

10:30am - 11:00am ET

Neuberger Berman Investment Management

Sultan Khan, Carlos Torres

11:00am - 11:30am ET

Neuberger Berman Trust Company

Ed Berman, Dave Skrodanes

11:30am - 12:00pm ET

EID Update

Meg Gattuso, Sean Williamson

Executive Findings:

A notable departure in 2023 was Stephen Cottrell, Information Security. Mr. Cottrell retired and was replaced by Gilbert Lappano, Senior Security Engineer. Mr. Lappano collaborates with the company's state-of-the-art cyber security infrastructure which has remained

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	<p>impenetrable. This department continues to influence global processes through rigor stress testing that prevents cyber security breaches.</p> <p>Conclusion: Observations and interviews during the site visit confirmed the maintained authenticity of the information presented by Neuberger Berman in its response to RFP 2017-18/19. This also validates the integrity of the firm's presentation in October 2019, to the PERALTA COMMUNITY COLLEGE DISTRICT Retirement Board, pertaining to the firm's physical location, data security, and organizational support structure. The firm continues to provide outstanding customer service by providing workshops at board meetings, responding to additional support needs such as cost analysis and asset liability studies. Retirement Board Member Meredith Brown, Esquire commended Neuberger Berman for their preparedness during her onsite visit to the New York location in March of 2023.</p> <p>Ms. Williams highlighted the Trust II performance provided by Meketa Investment Group. She started with the beginning market value: 1,468,593.00 and presented the investment updates for the PCCD Trust II Investment performance review as of August 31, 2024, which demonstrated strong performance over the fiscal year to-date. The portfolio gained 4.6%, outperforming the benchmark by 30 basis points (4.3%) during the period. The portfolio has gained 16.5% over the trailing one-year period, outperforming the policy benchmark by 40 basis points during (16.1%).</p> <p>This concluded with the Executive Administrator's report.</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 \$185,899,095 as of August 31, 2024.</p> <p>Equity Market Performance and Fed Rate Cuts</p> <p>Sultan discussed the performance of the equity and fixed income markets in 2024, highlighting that the equity market rally has been concentrated in the US large cap and growth stocks. He noted that value of international stocks have lagged behind but expects the rally to broaden out into small caps and international equities as interest rates decline. Sultan also discussed the Federal Reserve's rate cut decision, stating that the Fed's focus shifted from fighting inflation to supporting economic growth and full employment. He predicted that the Fed may cut rates by another 25 basis points in November and December, leading to a total rate cut of one percentage point in 2024 and potentially another 75 to 100 basis points in 2025.</p>	

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US Economy, Labor Market, and Inflation Discussion
Sultan discussed the current state of the US economy, noting that it is stable but expected to moderate. He highlighted that the labor market is weakening but remains generally stable, with a demand-supply ratio close to one. He expressed concern about the bifurcation in the consumer market, with the top 60% being well-positioned and the bottom 40% showing weakness. Despite this, he stated that the US consumer is generally okay, which bodes well for the economy. Sultan also discussed inflation, noting that it is on the path to achieving the Fed targets but there is a risk that it may not come down to the 2% level, potentially leading to a pause in rate cuts or even an increase in rates. He concluded by mentioning the market's expectation of three additional rate cuts, with his team expecting two cuts of 25 basis points each.

US Elections Impact on Market and Volatility
Mr. Sultan Khan discussed the upcoming US elections and their potential impact on the market. He noted that the race was too close to call and that the Democrats might lose the Senate due to the number of seats up for contention. He also mentioned that the market was not reacting to the polling or campaign rhetoric but anticipated increased volatility in the six weeks leading up to the election. Sultan also addressed a question from Advisory Board Member, Mike Wirth about the potential effects of an un-certified election, stating that uncertainty could lead to a reduction in risk appetite and possibly a larger drawdown in the market.

Portfolio Positioning and Performance Overview
Mr. Khan presented a high-level overview of the current portfolio positioning, emphasizing a slightly reduced and locked-in approach to gain some benefits. He highlighted the portfolio's balanced nature, with a slight overweight in fixed income and cash, and a neutral stance across the board. He also noted the strong downside protection provided by the managers and the anticipation of certain outcomes. The year-to-date performance was strong, with the portfolio up about 8%, and the numbers were expected to be even better by the end of September. Sultan also mentioned conservative and high-quality bias in the equity sleeve.

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%

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	<p>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>The meeting ended with the Retirement Board Chair, Bill Withrow, Retirement Board Member Dr. Bill Riley and Advisory Board Member Michael Wirth commending Christine's work and expressing their appreciation for her service. The next scheduled meeting is October. 24, 2024.</p>	
<p>Schedule Future Board Meetings</p>	<p>The next Retirement Board meeting is scheduled for October 24, 2024, via Zoom from 3 p.m. to 6 p.m.</p>	
<p>XIII. Adjournment</p>	<p>After determination that all Retirement Board business had concluded Retirement Board Chair Bill Withrow adjourned the meeting at 5:45pm</p>	

Minutes taken: Christine Williams

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