

**Peralta Community College District
Retirement Board Meeting Minutes
May 29, 2025**

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

Absent Board Members: 0

Absent Advisory Members: Tim Hackett

Present Advisory Members: Michael Wirth, Michael Mills, Jerry Hermann,

Present Board Advisors: Ms. Christine Williams, Jade Turner-Bond, Nixon Peabody LLP; Cannistra, Neuberger Berman; Sultan Khan, Neuberger Berman

Guest Speakers: Vincent McCarley, Backstrom McCarley Berry & Co., LLC; Dave Olson, Backstrom McCarley Berry & Co., LLC

Guest: John Palmer, Orrick, Herrington & Sutcliffe LLP, Emerson Sanders, Backstrom McCarley Berry & Co., LLC

Agenda Item	Discussion	Follow-Up
I. Call to order	Meeting called to order at 4:15p.m.by Chair Withrow.	
II. – VI.	Board Members, Advisory Members, Advisors present and absent – listed above.	
VII. Approval of Agenda	Motion to approve May 29, 2025, meeting agenda. Approved. AYES: 5 NOES: 0 ABSTAIN: 0 ABSENT: 0	

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VIII. Approval of Meeting Minutes	<p>Motion to approve April 24, 2024, minutes. Approved. AYES: 5 NOES: 0 ABSTAIN: 0 ABSENT: 0</p>	
IX. Report on Closed Session	Chair Withrow acknowledged the roll call and called the meeting to order at 4:18pm with no content to report from Closed Session.	
X. Backstrom McCarley Berry & Co. LLC	<p>Backstrom McCarley Berry & Co. LLC provided a presentation to provide more transparency on the bond debt-service payment of 10.3 million with an additional draw down of 10 million for bond restructuring and 1 million for a letter of credit. The discussion focused on the draw down on Trust I to pay bond principal for debt restructuring to improve the District's credit rating. The board reviewed various financial strategies and plans, including budgeting processes, bond conversions, and investment performance, while considering the impact on retiree benefits and district solvency. Attorney John Palmer, Orrick, Herrington & Sutcliffe LLP, representing the District as bond counsel, explained the consequences of defaulting on the OPEB bond debt-service payment. Attorney John Palmer listed the potential consequences including acceleration of bonds, damage to the district's credit, and possible bankruptcy.</p> <p>Ms. Williams suggested the meeting focus on the outstanding questions around additional Trust I draw down with legal counsel present. Mr. Vincent McCarley, Bmcb, the District's financial advisors explained the financial benefits of using \$10 million to pay down principal on bonds, which would save approximately \$3 million over six years and reduce letter of credit fees. Mr. McCarley emphasized that this approach would improve the district's financial position and potentially enhance bond ratings, which would benefit retirees in both pre-2004 and post-2004 pools. The Board agreed to adjust the meeting agenda to include a separate motion to allocate \$1 million dollars for a letter of credit fee. The Board requested a future presentation to clarify the impact of higher bond ratings on the debt service cost.</p>	

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After clarifying the process, the Board agreed to vote on making the \$10.3 million dollar debt service payment as standard protocol, and the 1-million-dollar letter of credit while deferring action on the additional 10 million drawdown.

Motion to approve 10.3 million OPEB bond debt service payment

Dr. Bill Riley Moved:

Dr. Ronald McKinley Second

AYES: 3

Attorney Meredith Brown

Dr. Bill Riley

Dr. Ronald McKinley

NOES: 2

Bill Withrow Jr.

Greg Nelson

ABSTAIN: 0

ABSENT: 0

Motion passed

Dave Olson shared his understanding that the original intent of the drawdown request included an additional 11 million dollars. The request based on restructuring of the bonds for a better credit rating favored cost savings for the District. He asked the board to consider the entire amount requested. Attorney John Palmer commented that the Finance team had presented to the District Board and the Retirement Board a proposal for determining a surplus in Trust I. Attorney Palmer stated, after much discussion, there was an agreement that each year this process would be used to determine surplus. He continued to state that one of the key factors in making the determination was using a higher discount rate than the GASB rules had determined. He said, Trust I is not irrevocable but performs as though it were irrevocable. He explained that Trust I was not structured for short-term investments, and remained relatively liquid. He confirmed that Trust I was allocated to get a better rate of return. Attorney Palmer reminded the Retirement Board that procedures for determining surplus had been established and agreed upon by all parties. He said the current conversation was confusing to him, because there was already an agreement of a surplus in the trust and now an implication that the Retirement Board had moved away from that agreement. Ms. Williams agreed with Attorney Palmer's assessment and concurred that she agreed his statements

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were true. Ms. Williams offered more clarification regarding the Board's hesitation by explaining this process was not business as usual and therefore the Board required more time with legal counsel to fortify their decision making process. Ms. Williams asked for a point of clarity around the timeframe and urgency of the Board's decision. Ms. Williams assured District Counsel that neither a vote of yes or no was definite; some Board members were requesting further review, which constituted a special meeting.

Retirement Board Member Dr. Ron McKinley asked to place the 1 million dollar letter of credit fee back on the agenda for vote. The Board agreed.

Motion to approve 1 million dollar letter of credit fee for OPEB bond rating

Dr. Ron McKinley **Moved**

Greg Nelson **Second**

AYES: 4

Attorney Meredith Brown

Dr. Bill Riley

Dr. Ronald McKinley

Greg Nelson

NOES: 1

Bill Withrow Jr.

ABSTAIN: 0

ABSENT: 0

Motion passed

Surplus Process Review

Retirement Board Chair Bill Withrow requested written documentation regarding the original certification and surplus process for a special meeting. Chair Withrow noted that the current structure differs from his understanding when appointed in 2005. The board aims to gain a better understanding of the additional drawdown, its implications, and the surplus process to make informed decisions. Attorney John Palmer suggests that the Retirement Board may not have clear authority to approve or disapprove withdrawals from the trust, proposing the Board could disclaim responsibility and let the decision lie with the district. Ms. Williams respectfully defers to the legal counsel on the Retirement Board while acknowledging Attorney Palmer is input.

XI.

**Neuberger Berman Asset Liability
Study and Investment
Performance Review**

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OPEB Bond Financial Planning

Mr. Olson provided a summary of the financial planning for OPEB (Other Post-Employment Benefits) bonds and payments. He explained that the district is in a good financial position with \$175 million in the bank and projected annual OPEB benefit payments of \$7.5 million. He proposed budgeting \$19 million for next year's bond payments, including a \$10 million additional contribution to pay down principal, which could save \$3 million over six years. He stated that district is also working on converting the B4 tranche of bonds and securing a letter of credit from Barclays for a 3-year term. The next steps include requesting fund transfers, making payments, and continuing to develop strategies to improve financial stability.

Advisory Board Member, Jerry Hermann asked if anyone on the Board could explain the Retirement Board's role and responsibilities. He stated that the retirees' best interest had not been mention in the entire conversation. Ms. Williams explained that the Retirement Board's primary purpose is to act as a fiduciary oversight for the both Trust I and Trust II investments. Mr. Hermann expressed concern about the protection of retirees' health benefits. He questioned a guarantee under the current economic uncertainty. Attorney Palmer provided clarification of the obligation to pay retiree benefits as the district's responsibility, not the trust's, and argued that the interests of retirees and the district are aligned in ensuring the district's fiscal solvency to continue making promised payments.

Surplus Concerns and Bond Strategies

Advisory Board Member Michael Wirth raised questions and stated concerns about the projected surplus, which had decreased from 89 million to 68 million, with an additional 11.3 million deduction. He advises caution in spending the surplus, which may or may not be there. He also asked if the trust could pay the interest on the bonds as well as healthcare benefits and bond principal. John Palmer answered that the trust monies can cover bond interest under specific circumstances, such as defeasing the bonds. Mr. Wirth requested more information in a future meeting about the specifics for using monies from the trust to pay interest. Mr. Wirth stated he agreed with Mr. Hermann about the uncertainty of the economy and it is likely that interest rates are going up. He then asked the question if it were better to do fix rates on future bonds rather than variable rates. Mr. McCarley explained that fixed rates are not currently an option for future bonds, but the variable rate exposure capped at 5.2% for the B4 tranche due to interest rate swap

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agreements. Mr. Wirth asked if the variable rates could go as high as 12%. Mr. McCarley confirmed under a default scenario for auction rates securities that would be correct, which we are **not** doing.

Market Performance and Portfolio Strategy

Mr. Sultan Khan provided an overview of the Trust I market performance through April 30th. The current market value as of April 30, 2025 was \$178,620,571. He noted that May's number would be higher. He presented that volatility had affected markets both positively and negatively, with non-US Equities performing well year-to-date compared to US Equities. Mr. Khan mentioned that the portfolio had maintained a defensive posture due to expected volatility and adding some risk towards the end of April and beginning of May. Mr. Khan noted that the 5 year number in US Large Cap was close to 16%; the average return in US Equities, historically was close to 7% to 9% on an annualized basis.

Demonstrating that the last 5 years had shown a significant upside to the average numbers. He continued to share that this year in terms of market activity post January 19th, in terms of the new administration coming in was a lot of volatility around tariffs. The month of April we saw a lot of volatility. The headlines in terms of Liberation Day and the market pullback, the significant bounce back and rally towards after April 8th due to what happened in financial markets. This continued in the month of May in terms of underlying stabilization, market expectations of the Trump administration, and some of the delays on the tariff front, along with de-escalation of the US and China tariffs. The economy is slowing although stable in terms of the macroeconomic backdrop. Non-US Equities did well and were up 12% while US Equities were down 5%. Mr. Khan discussed expectation of more volatility due to the tax bill which passed Congress carrying levels of stimulus towards the second half of this year and beginning of next year between \$250 billion to 300 billion. He reported that the portfolio is up 2.4% year-to-date and in line with the benchmark. He remains optimistic adding a bit more risk to the portfolio towards the end of April and beginning of May.

Weighted Benchmark consists of: 2.3% MSCI ACWI Ex-U.S. Index, 1.3% Russell 2000 Growth Index, 1.1% Russell 2000 Value Index, 13.50% Russell 1000 Index, 27.2% Bloomberg US Aggregate Index, 0.0% Russell 1000 Growth Index, 9.5% Cambridge Associates US Private Equity Index, 4.1% MSCI EM IMI NET USD Index , 2.5% 50%PUT/50%WPUT BLEND Index, 1.5% Russell 1000 Value Index, 3.0% Bloomberg Commodity Index, 4.0% MSCI ACWI Net Index, 1.0% JPM EM Markets Bond Index Global, 4.4% MSCI EAFE Net Index (USD), 5.5%

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ICE US Treasury 3- Month Bill Index, 5.1% Russell 2000 Index, 5.3% 50% (GBLDIV), 25% (JPMEMB) and 25% (CEMBI) Index, 6.8% ICE BB-B US Cash Pay HY Constrained Index, **Investment Policy Benchmark** From 12/31/2021 to current consists of: 3% ICE US Treasury 3-Month Bill Index, 26% Bloomberg U.S. Aggregate Index, 8% Bloomberg U.S. Corporate High Yield Index, 8% EMD Blended Index, 16% S&P 500 Index, 8% Russell 2000 Index, 8% MSCI EAFE Net USD Index, 4% MSCI Emerging Markets Index, 4% MSCI All Country World Index, 3% Bloomberg Commodity Index, 4% HFRX Global Hedge Fund Index, and 8% Cambridge Associates PE Index.

Retirement Board Healthcare Benefits Discussion

Retirement Board Member, Dr. Ron McKinley acknowledged Mr. Hermann's question early in the meeting regarding the Retirement Board's function. He clarified that the Retirement Board does not provide health insurance or healthcare benefits, but rather serves as the vehicle for paying these benefits, which are primarily the district's responsibility. He explained that the district administers the plans, conducts open enrollments, and works with brokers to establish the plans.

Chair Withrow called for additional comments or questions. Hearing none, he asked if anyone from Meketa was present. Ms. Williams answered "no" but that the performance report had remained the same since the April 24, 2025 performance review, which was through March 31, 2025. Ms. Williams confirmed the market value amount was 1.477,426 million dollars in Trust II.

Chair Withrow announced a special meeting for early next week, pending availability of legal counsel. He confirmed that the Board would address outstanding questions and vote on the additional 10 million dollar draw down to Trust I. He concluded that next regular meeting was set for August 28th and called the meeting adjourned.

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XII. Schedule Future Board Meetings	The next Retirement Board meeting schedule to be determined for special meeting, via Zoom and in person: DGS Building B Conference Room 1 333 East 8 th Street Oakland, CA 94606 From: 3 p.m. to 6 p.m.	
XIII. Adjournment	After determination that all Retirement Board business had concluded Retirement Board Chair Bill Withrow adjourned the meeting at 5:50pm	

Minutes taken: Ms. Christine Williams

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