Peralta Community College District
Retirement Board Meeting Minutes
April 27, 2023

Present Board Members:	William (Bill) Withrow (Chair), Meredith Brown, William (Bill) Riley, Ronald McKinley, Nathaniel Jones III, Adil Ahmed
Absent Advisory Members:	Michael Mills, Jerry Herman,
Present Advisory Members:	Tim Hackett, Michael Wirth,
Present Board Advisors:	Christine Williams, Cheryl Cannistra, Ed Berman, Sultan Khan, Dave Vigo, PCCD Budget Director
Guests:	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 April 27, 2023, meeting agenda with a modification to have Dave Olson with Backstrom, McCarley and Berry present first. **Approved.** AYES: 5 NOES: 0 ABSTAIN: 0 ABSENT:	
VIII. Approval of Meeting Minutes	Motion to approve the March 30, 2023, minutes. **Approved.** AYES: 5 NOES: 0 ABSTAIN: 0 ABSENT: 0	

IX. Report from Closed Session	**Chair Withrow** acknowledged the roll call and called the meeting to order at 4:01pm. Chair Withrow shared that he would be leaving the meeting early to attend a scholarship award dinner for 10 student recipients. **Chair Withrow** requested to add an action item to the May 25th agenda to address the District's request for the OPEB debt service payment. No updates from Closed Session. **Chair Withrow** asked Ms. Williams to provide an introduction for the guest speaker Mr. Dave Olson with Backstrom, McCarley and Berry as the District's Financial Advisors. In 2005, the District issued and sold its Taxable 2005 Limited Obligation Other Post-Employment Benefits Bonds (the "OPEB Bonds"), pursuant and subject to an Indenture of Trust, dated December 1, 2005 (the "Indenture"), to provide certain health care benefits for retired District employees, and in some cases their dependents, who were hired on or before June 30, 2004. In addition to paying and reimbursing the cost of retiree health benefits, Section 3.04 of the Indenture provides that monies in Trust I may also be used to pay the principal on the OPEB Bonds if, "the District determines that any or all of the amounts held in [Trust 1] are or will not be required for payment of current or future Retiree Health Benefit Costs". On April 13, 2011, the District delegated the investment authority of Trust I to the Retirement Board in accordance with California Government Code Sections 53620 and 53622. The Retirement Board respectfully requests that the District provide prior notice of its intent to withdraw from Trust I and allow the Retirement Board to meet its fiduciary obligations under California Government Code Sections 53620 and 53622. **Ms. Williams** introduced the PCCD Financial Advisor **Dave Olson,** Backstrom, and McCarley & Berry. Mr. Olson agreed to keep the Retirement Board updated on the OPEB Bond structure and payment status.	
X. Guest Speakers Presentation	**Mr. Olson** started by providing the positive aspects of the OPEB Bonds' program. He shared how the annual review assists the District in monitoring the program and helps to develop strategies to address future concerns before those concerns become critical. Mr. Olson confirmed consistent payments on behalf of retired employees. He also said that Trust I is fully funded meaning, funds on hand are sufficient to make future OPEB Benefit Payments based on current assumptions. Mr. Olson pointed out that investment returns have been strong and expected to remain strong over the long term. Historically, the District has made bond payments from four specific sources of funds. **Dedicated OPEB Appropriations.** Since fiscal year 2010-11, the District has appropriated the equivalent	

16015996.1

	amount of 7.5% gross payroll to the repayment of OPEB bonds. This comes primarily from the General Fund. **Supplemental OPEB Appropriations-** To supplement this appropriation, the District typically appropriates an additional amount of monies from the General Fund, subject to the availability of resources. **Draws from OPEB Trust I-** Under the Trust Indenture related to the 2005 OPEB Bonds, amounts may be drawn from Trust I to pay principal on the OPEB Bonds to the extent the District determines such amount to be in "surplus." **Draws from the OPEB Special Reserve Fund-** Monies in the District's OPEB Special Reserve Fund may be used to make payment on the OPEB Bonds. Transfers from the General Fund, subject to availability, fund the OPEB Special Reserve Fund. The value of investments in Trust I varies with market conditions; hence, a determination of the availability of surplus funds occurs each year. The District's new health care benefit plan will generate savings that will reduce ongoing payments and future liabilities from Trust I. Implementation of the proposed bond payment plan involves several steps in the coming months. ▪ Thursday, April 27th: The proposed bond payment plan is presented to the Retirement Board. ▪ On or before Monday, June 5th: The District formally requests the transfer of funds from Trust I. ▪ On or before Wednesday, July 5th: The District makes payment to the Trustee in advance of Saturday, August 5th principal and interest payment. ▪ Saturday, August 5th: Trustee makes payment to investors. ▪ Summer 2023: District convenes group to explore potential alternative sources of funding for OPEB bond payments. **Board Member Nathaniel Jones** agreed with Mr. Olson and suggested a sensitivity analysis to make different assumptions and determine how those assumptions affect future projections. **Alternate Board Member Adil Ahmed** said that all recent financial documentation would be submitted by June 30, 2023. He added that the 44 million surplus was based on last	

	year's financial position. Mr. Ahmed stated that the District doesn't know at this point what the final numbers would be and suggested waiting for the 2023 year-end numbers. **Advisory Board Member Michael Wirth** asked that the presentation that Mr. Olson shared be forwarded to PRO President Debby Weintraub. **Board Member Jones** acknowledged the request to share Backstrom, McCarley & Berry OPEB Bond presentation to the Retirement Board with **PRO. He** did not express any concerns with sharing the document since it would be a matter of records and codified in the minutes. **Mr. Edward Berman, Co-President; Head of Institutional Trust · Neuberger Berman Trust Company** provided clarity of Neuberger Berman's perspective about Ms. Williams' suggestion in the last Retirement Board meeting that Neuberger Berman and Total Compensation Inc. meet to discuss the actuarial assumptions that were used to forecast probable return on investments. Mr. Berman said the firm is willing to meet with Total Compensation but not to offer input about Total Compensations scientific conclusions for rate of returns.	
XI. Meketa Investment Performance Review	**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. The investment report confirmed a volatile quarter for most asset classes driven by evolving monetary policy expectations and high-profile bank failures. Investors remained focused on slowing inflation and potentially peaking rate hikes leading to positive results across most asset classes for the quarter. The Fed's, and others', quick responses to pressures in the banking sector brought confidence back to the markets in March with the crisis driving the terminal policy rate expectations lower. • 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. Key Trends: → The impacts of record high inflation will remain key, with market volatility likely to stay high. → Recent issues related to the banking sector have created a delicate balance for central banks to continue to fight inflation but also try to maintain financial stability. → Global monetary policies could diverge in 2023 with the Fed pausing and others continuing to tighten. The risk of policy errors remains elevated given persistent inflation pressures and a strong US labor market. → Growth is expected to slow globally this year, with many economies forecast to tip into recession. Inflation, monetary policy, and the war will all be key. → In the US, the end of many fiscal programs is expected to put the burden of continued growth on consumers. Costs for shelter, medical care, and education could continue to rise, keeping 'sticky price' inflation at elevated levels. → The key for US equities going forward will be whether earnings can remain resilient if growth continues to slow. → Outside the US, equity valuations remain lower in both emerging and developed markets, but risks remain, including potential continued strength in the US dollar, higher inflation particularly weighing on Europe, and China's rushed exit from COVID-19 restrictions and on-going weakness in the real estate sector. 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	
XII. Neuberger Berman Investment Performance Review	**Mr. Sultan Khan** provided an update on Trust I's performance with a current market value of $186,874,061. The Fed's repricing triggered a Risk-On Rally. The market's expectation for a more dovish Fed in response to banking stresses ignited a rally in risk assets in March, boosting YTD returns. The portfolio composition of March 31, 2023: Cash & Fixed Income $92,213,407, 49.35 % of l portfolio; Equity $68,161,367, 36,47 % of portfolio, Real and Alternative Assets $26,499,237, 14.18% of portfolio. Mr. Khan started his presentation by highlighting market backdrops from Q1. Q1 was a mirror image of what we saw last year in terms of interest rate adjustments and sensitive assets continuing to do well to start the year. US Large Cap growth was well, up over 13% persisting through a long duration. Fixed Income also did well, close to around 5 and a half. US Large Cap and Fixed Income are both sensitive to interest rates. Interest rates 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 did 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.	
Schedule Future Board Meetings	The next Retirement Board meeting is May 25, 2023, from 3 p.m. to 6 p.m. via Zoom.	
XIII. Adjournment	After determination that all Retirement Board business had concluded Board Member Riley adjourned the meeting at 5:20pm The meeting adjourned at 5:20 p.m.	

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