

**Board Meeting
Minutes
Telephone Conference 1-408-418-9388 ID 1320330868
Friday September 3, 2021**

PRESENT: John Rodgers, Chairperson; Greg Satterfield, Union Representative; Paula Perez, AAME.; Sgt. Chris Peck, FOP Representative; Beryl L Feinberg, Councilmember, Karen Marshall, Human Resources representing the City Manager. Also, on the call were Tim Peifer, Finance; Xiaojing Zhang, Finance, Daisy Harley, Human Resources; Gavin Cohen, Executive Secretary to the Board; Ryen Sherman, and Christian Sevier from Segal Marco Advisors.

ABSENT: Mikhael Sukhenko, Citizen Representative

The meeting commenced at 10:00AM.

I. Approval of Minutes from May 14, 2021

Councilmember Feinberg made a motion to approve the minutes as presented with changes suggested by Mr. Rodgers. The motion was seconded by Ms. Marshall. The motion passed unanimously 6-0.

II. Announcements

Mr. Cohen made some brief announcements to the Board on the following topics: October 4 Board presentation to the Mayor and Council, City Hall Re-opening and November Board meeting, Sgt. Pecks Board Re-appointment, Ms. Xiaojing Zhang was introduced to the Board, Principal Financial Group fee reduction negotiated by Segal Marco, and Lincoln Financial Implementation update. There was consensus from the Board to meet virtually in November unless something significant changed.

III. Investment Performance Review quarter end June 30, 2021

Mr. Sevier discussed the market environment through June, noting continued strong performance for equity markets and improved performance for bonds in the second quarter. He commented on various economic and monetary factors helping to support markets, as well as some potential headwinds moving forward.

Mr. Sherman reviewed the asset allocation and performance for the Pension Fund, noting that the Fund returned +4.8% in the first quarter and +28.6% for the fiscal year ended in June, versus +4.2% and +22.9% respectively for the Policy Index, and that the Fund has performed in the top quartile of a universe of peer funds on a year-to-date and fiscal-year basis.

Mr. Sherman noted that although performance for the State Street Small Cap Equity fund has lagged its benchmark, it has performed decently relative to a universe of small cap peers. He also noted a recent subadvisor change within the strategy and that Segal Marco will provide an analysis of active vs passive management at the February 2022 meeting, along with a broader review of the Fund's asset allocation.

Mr. Sherman also explained that the Fund was able to significantly reduce its expenses by moving to a flat fee model with zero-revenue-sharing share classes of its investments with Principal Financial Group (PFG). Segal Marco and will also check with PFG regarding other fixed income investment options available to the Fund and report back to the Board at the February 2022 meeting.

Mr. Sherman also noted benchmarking changes for several of the Fund's investments along with rationale for those changes, consistent with Staff and Segal Marco's collective review of the Investment Policy Statement.

Mr. Sevier reviewed the market values, cash flows and investment funds' performance for the Thrift/457(b) Plans, and highlighted benchmarking changes for several of the Fund's investments along with rationale for those changes, consistent with the Staff and Segal Marco's collective review of the Investment Policy Statement.

Mr. Sevier discussed the Voya Small Company fund, and some concerns Segal Marco has regarding recent personnel developments and potential investment philosophy changes for the strategy. Mr. Sevier noted that Segal Marco would be having additional conversations with Voya and provide a recommendation to the Board regarding the best path forward at its next meeting.

Mr. Sherman reviewed the Retiree Benefit Trust, which returned +7.5% for the quarter and +23.3% over the last year, versus +4.9% and +21.4% respectively for the Policy index. He noted that the Trust's allocation to equities was elevated and Segal Marco would look to recommend a rebalancing of the asset allocation utilizing contributions expected to come into the Trust in September.

IV. Investment Policy Statement Update to Include ESG Policy

Mr. Cohen reviewed the Draft Investment Policy Statement updates for the Pension Plan which was collectively discussed with the Board, Staff and Segal Marco. He noted the Policy had been reviewed thoroughly and the importance of the board having an Investment Policy Statement to fulfil the Board's fiduciary obligations. For the Pension Fund's Investment Policy Statement, he noted and summarized the following updates being recommended to the Board: A paragraph on Credited Interest was added, Board Policy goals and objectives were updated, several investment benchmarks were updated, a ESG Policy was added, a section clarifying duties and responsibilities was added, along with other minor technical corrections that were made throughout the document.

Following Board discussion, Councilmember Feinberg made a motion to adopt the updated Statement of Investment Objectives and Policies for the Boards' Pension Plan as presented to incorporate the changes and edits suggested by Mr. Rodgers. The motion was seconded by Ms. Perez and the Board voted in favor 6-0.

V. Investment Policy Statement THRIFT and SAVINGS PLANS

Mr. Cohen reviewed the Draft Investment Policy Statement updates for the Thrift/457(b) Plans which were collectively discussed with the Board, Staff and Segal Marco. He noted that the changes being recommended to the Board for this Policy document were: adding the 457(b) Plan into the document, the updating of some of the allowable investment categories, clarifying roles and responsibilities, the updating of some performance benchmarks and other minor technical corrections were made throughout the document. The Board discussed these updates with suggested edits made by Mr. Rodgers. The Board deferred approval of the updated Policy until the following meeting so that the roles and responsibilities section could be further enhanced.

The call ended at 12:00 pm.

THE NEXT REGULAR MEETING IS FRIDAY NOVEMBER 19