OPEB Board Meeting

Thursday, July 14th 2022 – 3:00 PM – 4:00 PM

WebEx – Electronic Meeting Only

Meeting video/audio (log in first)

1. Roll Call

Trustees Present:

Darrin Casper, Deputy Mayor of Finance and Chief Financial Officer

K. Wayne Cushing, County Treasurer

Lori Okino, Fiscal Administrator, Mayor Operations

David Delquadro, Council Fiscal Manager

Other Attendees:

Jim Sakellariou, Chief Deputy Treasurer

Shanell Beecher, Director of Accounting, Mayor's Financial Administration

Brett Carlson, ESR Manager, Mayor's Financial Administration

Zachary Lancaster, District Attorney

Jason Williams, Moreton Asset Management

Dan Rusk, Moreton Asset Management

Mari Vellido, Internal Services Manager, Mayor's Financial Administration

Absent:

No members of the public attended.

2. Review minutes from 4/20/22 and move to approve

Mr. Casper asked the board members if they had a chance to review the minutes from April 20th, 2022.

There were changes and edits suggested by Mr. Cushing, Mr. Delquadro, and Ms. Okino. (corrections attached)

Mr. Okino motioned to accept the minutes the suggested corrections, and the motion was approved by the group.

3. $850k transfer to Moreton discussion

Mr. Casper asked about the transfer, Mr. Cushing stated that it occurred on April 22nd , 2022, and noted that the transfer would be included in the numbers that Jason Williams would show in his presentation.

4. Moreton presentation – Jason Williams and Dan Rusk

Mr. Williams stated that he would provide an update on the industry and equity markets since January 1st and mentioned that there was very high volatility across all asset classes: both domestic and international fixed income and equity. Mr. Williams then said that there would be a discussion about the effects of that volatility when presenting the portfolio, and particularly during the second quarter of the year. He continued saying that there was a sizeable gain in the portfolio and mentioned that it was sitting on an intentional cash position. Mr. Williams continued to provide the positioning and strategies for the remainder of the year and into looking into 2023.

Mr. Rask began his presentation on the overview on the interest rates and the stock market. (**starts at 6:22**)

Mr. Rask continued," a lot of people said that a slowdown was expected by looking at yields from last year, when yields move significantly, the market has to re-price." The Fed had already raised interest rates a few times and were expected to raise another 2 to a quarter percent before December. Mr. Rask stated that the Fed is trying to slow down demand to fight off inflation. The reason why the portfolio has a sizeable chunk in cash because Moreton wants to continue buying when there are good opportunities in the market.

Sector	Ticker	Price	1-Day % Chg	MTD % Chg	QTD % Chg	YTD % Chg	All Time High	% From High	Date of High
Consumer Discretionary	XLY	142.54	-0.08%	3.68%	3.68%	-30.28%	211.42	-32.58%	11/19/2021
Financial	XLF	30.74	-1.91%	-2.26%	-2.26%	-21.28%	41.42	-25.78%	1/12/2022
Health Care	XLV	127.13	-0.29%	-0.87%	-0.87%	-9.77%	142.83	-10.99%	4/8/2022
Technology	XLK	130.09	0.92%	2.34%	2.34%	-25.18%	176.65	-26.36%	12/27/2021
Consumer Staples	XLP	72.70	0.08%	0.72%	0.72%	-5.72%	80.57	-9.77%	4/20/2022
Industrial	XLI	85.50	-0.57%	-2.11%	-2.11%	-19.19%	107.12	-20.18%	11/16/2021
Materials	XLB	70.93	-1.84%	-3.63%	-3.63%	-21.72%	90.61	-21.72%	12/31/2021
Energy	XLE	67.49	-1.89%	-5.62%	-5.62%	21.60%	92.28	-26.86%	6/8/2022
Utilities	XLU	69.63	0.00%	-0.71%	-0.71%	-2.72%	76.96	-9.52%	4/8/2022
Real Estate	XLRE	40.35	-0.98%	-1.25%	-1.25%	-22.12%	51.81	-22.12%	12/31/2021
Communications Services	XLC	54.02	-1.26%	-0.46%	-0.46%	-30.46%	86.05	-37.22%	9/1/2021
S&P 500	SPY	377.91	-0.24%	0.18%	0.18%	-20.43%	477.71	-20.89%	1/3/2022

Relative to S&P 500	Ticker	Price	1-Day % Chg	MTD % Chg	QTD % Chg	YTD % Chg
Consumer Discretionary	XLY	142.54	0.16%	3.51%	3.51%	-9.84%
Financial	XLF	30.74	-1.67%	-2.43%	-2.43%	-0.85%
Health Care	XLV	127.13	-0.05%	-1.04%	-1.04%	10.67%
Technology	XLK	130.09	1.16%	2.16%	2.16%	-4.75%
Consumer Staples	XLP	72.70	0.33%	0.55%	0.55%	14.71%
Industrial	XLI	85.50	-0.33%	-2.28%	-2.28%	1.24%
Materials	XLB	70.93	-1.60%	-3.80%	-3.80%	-1.29%
Energy	XLE	67.49	-1.65%	-5.80%	-5.80%	42.04%
Utilities	XLU	69.63	0.24%	-0.89%	-0.89%	17.71%
Real Estate	XLRE	40.35	-0.74%	-1.42%	-1.42%	-1.69%
Communications Services	XLC	54.02	-1.02%	-0.64%	-0.64%	-10.02%

Sector	Ticker	Price	1-Day % Chg	MTD % Chg	QTD % Chg	YTD % Chg	All Time High	% From High	Date of High
Preferred Stock	PFF	33.02	-0.48%	0.43%	0.43%	-16.26%	39.48	-16.36%	9/2/2021
Gold	GLD	159.3	-1.40%	-5.42%	-5.42%	-6.80%	193.89	-17.82%	8/6/2020
US Commodity Index	USCI	51.08	-1.05%	-6.81%	-6.81%	17.51%	62.63	-18.44%	6/8/2022
US Dollar Bullish	UUP	29.03	0.69%	3.83%	3.83%	13.27%	29.03	0.00%	7/14/2022
Small Caps	IWM	169.6	-1.03%	0.12%	0.12%	-23.78%	242.56	-30.10%	11/8/2021
S&P 500 Growth	IVW	61.35	0.21%	1.66%	1.66%	-26.68%	84.81	-27.66%	12/27/2021
S&P500 Value	IVE	135.8	-0.71%	-1.18%	-1.18%	-13.27%	159.06	-14.60%	1/12/2022

MSCI Developed Marke	Ticker	Price	1-Day % Chg	MTD % Chg	QTD % Chg	YTD % Chg	All Time High	% From High	Date Of High
United States	SPY	377.91	-0.24%	0.18%	0.18%	-20.43%	477.71	-20.89%	1/3/2022
Canada	EWC	32.05	-2.91%	-4.84%	-4.84%	-16.60%	40.66	-21.18%	3/30/2022
Austria	EWO	17.09	-0.93%	-5.37%	-5.37%	-32.85%	27.07	-36.87%	2/9/2022
Belgium	EWK	16.43	-1.20%	-3.59%	-3.59%	-23.08%	23.21	-29.21%	6/15/2021
Denmark	EDEN	84.63	-1.16%	-1.98%	-1.98%	-23.91%	117.80	-28.16%	9/2/2021
Finland	EFNL	32.87	-1.43%	-4.88%	-4.88%	-31.34%	52.80	-37.75%	9/3/2021
France	EWQ	28.83	-1.44%	-3.93%	-3.93%	-25.85%	40.45	-28.73%	11/8/2021
Germany	EWG	21.46	-1.92%	-6.74%	-6.74%	-34.53%	36.48	-41.17%	6/7/2021
Ireland	EIRL	38.51	-1.24%	-4.16%	-4.16%	-32.41%	62.13	-38.02%	9/7/2021
Israel	EIS	59.25	-1.35%	0.14%	0.14%	-23.94%	79.60	-25.56%	11/16/2021
Italy	EWI	22.02	-4.43%	-8.55%	-8.55%	-32.89%	34.47	-36.12%	6/7/2021
Netherlands	EWN	33.64	-0.65%	-4.05%	-4.05%	-33.01%	53.78	-37.45%	9/7/2021
Norway	ENOR	23.43	-2.88%	-5.43%	-5.43%	-19.55%	31.82	-26.35%	10/20/2021
Portugal	PGAL	9.86	-2.06%	-5.59%	-5.59%	-9.70%	12.32	-19.99%	5/28/2021
Spain	EWP	21.45	-2.05%	-8.02%	-8.02%	-18.35%	30.77	-30.29%	5/25/2021
Sweden	EWD	30.08	-1.54%	-1.22%	-1.22%	-35.07%	49.39	-39.10%	6/8/2021
Switzerland	EWL	40.57	-1.15%	-2.31%	-2.31%	-23.06%	53.02	-23.48%	12/29/2021
United Kingdom	EWU	28.51	-2.06%	-4.84%	-4.84%	-13.97%	34.76	-17.98%	2/9/2022
Australia	EWA	20.66	-1.01%	-2.64%	-2.64%	-16.79%	27.38	-24.54%	6/4/2021
Hong Kong	EWH	21.38	-0.88%	-3.69%	-3.69%	-7.81%	28.10	-23.91%	5/28/2021
Japan	EWJ	52.21	-0.99%	-1.17%	-1.17%	-22.03%	74.12	-29.56%	9/15/2021
New Zealand	ENZL	44.97	-0.18%	1.12%	1.12%	-23.62%	71.70	-37.28%	1/7/2021
Singapore	EWS	17.46	-0.91%	-1.24%	-1.24%	-18.37%	24.51	-28.76%	11/8/2021

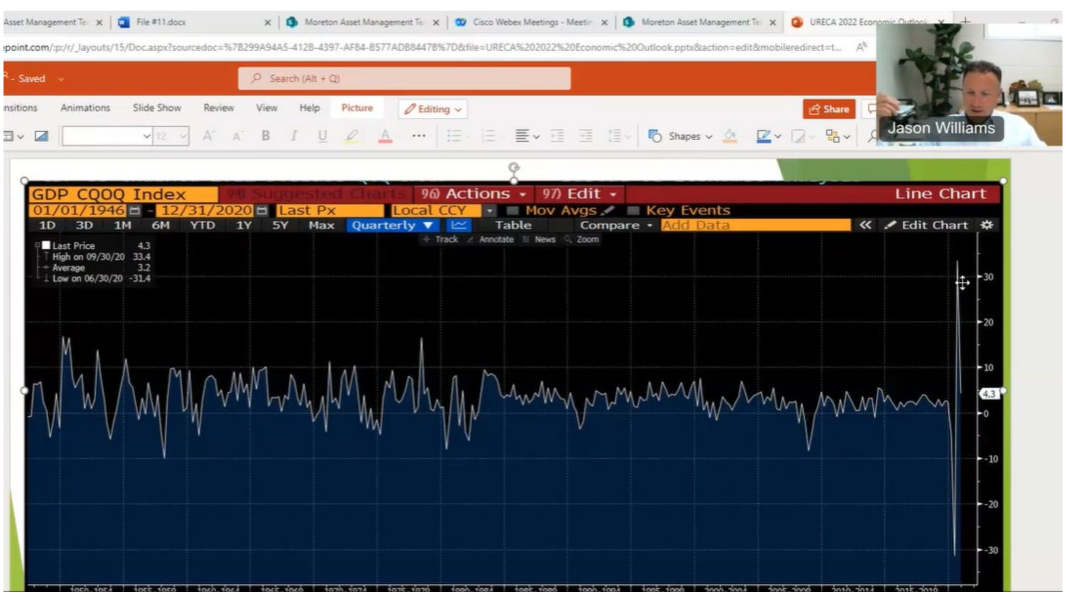
MSCI Emerging Market:	Ticker	Price	1-Day % Chg	MTD % Chg	QTD % Chg	YTD % Chg	All Time High	% From High	Date Of High
Brazil	EWZ	25.58	-2.55%	-6.61%	-6.61%	-8.87%	41.96	-39.04%	6/24/2021
Chile	ECH	22.17	-2.93%	-7.89%	-7.89%	-3.98%	35.80	-38.07%	4/19/2021
Colombia	ICOL	8.06	-4.05%	-10.57%	-10.57%	-19.34%	12.67	-36.39%	4/5/2022
Mexico	EWW	44.40	-1.60%	-4.70%	-4.70%	-12.25%	55.36	-19.80%	4/1/2022
Peru	EPU	23.55	-3.01%	-7.72%	-7.72%	-20.49%	38.97	-39.57%	2/23/2021
Poland	EPOL	13.02	-1.66%	-11.00%	-11.00%	-38.18%	23.87	-45.45%	10/15/2021
Qatar	QAT	20.04	0.03%	-4.18%	-4.18%	-2.70%	25.65	-21.89%	4/11/2022
Saudi Arabia	KSA	40.13	-0.67%	-3.04%	-3.04%	-1.86%	51.02	-21.34%	4/18/2022
South Africa	EZA	39.32	-3.51%	-7.46%	-7.46%	-15.26%	56.48	-30.38%	4/1/2022
Turkey	TUR	17.89	-1.38%	-5.89%	-5.89%	-3.71%	29.81	-39.99%	2/19/2021
United Arab Emirates	UAE	15.22	0.40%	-2.00%	-2.00%	-5.82%	19.36	-21.38%	4/4/2022
China	MCHI	51.90	-1.22%	-7.01%	-7.01%	-17.05%	97.19	-46.60%	2/17/2021

Mr. Rask talked about developed and emerging markets stating that everything was down close to 20% even 40% and said that largely everything had been down (YTD all in red). He continued saying that the strategy was to rebalance the portfolio by adding exposure into health care stocks, consumer staples, utilities, and mentioned that the U.S. dollar surpassed the Euro after reaching parity.

In summation, Mr. Rask stated that Moreton is happy with the defensive positioning and would look to continue to add to equity exposure while also trying to minimize the volatility overall.

Mr. Rask asked if there were any questions, and the group did not have any.

Next up was Mr. Williams' presentation (15:39 – 49:28)



Mr. Williams summarized that thanks to COVID, fiscal policy, and supply chains there was unprecedented volatility in the portfolio. He continued that on the stock market exposure, the portfolio was going to be defensive with half of it leaning towards staples, utilities, health care and the rest broad base index with the stocks being considered on sale.

Moreton was looking to report back to the committee in January 2023 to discuss the cash on the side and to look at the new transfer amount.

5. Revisit 50/50 allocation in September – All

Mr. Casper mentioned that this was covered and asked the group if the group was comfortable with the 60/40 allocation and mentioned that the group talked about going as high as 75 and then asked about the comfort level of the group. The committee members said that they wanted to wait until January to revisit.

6. OPEB Eligibility Criteria – Dave Delquadro

Mr. Delquadro opened saying: "when the committee does the actuary behavior assumptions, for an individual who is an early retiree and not yet eligible for Medicare to receive the supplemental benefits, they must elect to remain covered by the County's healthcare plan continuously in order to get the point where they are not eligible at 65 to get the Medicaid/Medicare supplement."

Mr. Delquadro mentioned that there had been a miscommunication with HR in terms in how to administer the policy that they came up with steering and said that it was contrary to what had been presented previously. He continued asking if retirees were allowed to enroll in dental during open enrollment, and then if they could enroll in the healthcare portion also becoming eligible to the supplement? Mr. Delquadro suggested that "every new retiree should understand that he or she needs to enroll continuously in healthcare to be eligible for the supplement."

Mr. Cushing then asked how to deal with this. Mr. Casper asked for what the exact error was, and Mr. Lancaster added that there was a change to the policy that in order to have the medical benefit, the retiree needed to remain enrolled. Retirees were allowed to just be enrolled in the dental benefit and *then* add the medical later, and this was inconsistent with what should have been done in the first place.

Ms. Okino asked why it mattered if it is medical or dental. Mr. Lancaster said that the goal of this was to eliminate future liability for people to come back on the medical plan at a later time when they are not enrolled continuously.

Mr. Casper mentioned that "the actuarial report is based on policy" and that it has "invertedly momentarily strayed" but that they are "getting back on track" and asked if there was any action needed.

Mr. Delquadro then asked that the question was "how many people were in a position to be able to take advantage of that, and if it was material enough" to take this before the policymakers.

Mr. Lancaster asked if this was something that should be presented before the council, to which Mr. Cushing added that Mr. Delquadro was asking how many people were taking advantage of this.

Mr. Lancaster was trying to get information of people that had been administered this way and then Mr. Casper asked Mr. Lancaster if he heard anything about this that he would be copied on this.

Ms. Okino suggested to see how many people are not following policy during the next meeting. Mr. Delquadro added that this should reside in HR's lap for the time being, and if they came up with options, then the committee should weigh in because the [OPEB committee] is more sensitive now to the implications and that this should just let it be played out.

The group agreed that this would be stretching beyond the role of the committee and that HR is the right organization to address these questions.

7. Schedule next OPEB meeting

The group did not have any additional business items of business and Mr. Casper then adjourned the meeting at 4:02 PM.

The next OPEB meeting is scheduled for Wednesday, September 28th at 12 PM via WebEx.