

**Town of Redding  
OPEB Trust Board Regular Meeting Minutes  
Monday, 4/22/2024  
6:00PM via Zoom**

*Filed subject to approval.*

**Present:**

- Jenifer Wyss, Chair
- Roger Van Ausdal, Vice Chair
- Ward Mazzucco
- Jamie Barickman (6:02PM)
- Robert Dean (6:02PM)
- Karen Gifford

**Also Present:**

- Jim Sanders, Finance Director
- Kate Pizzi, Fiducient Advisors
- Richard Carey, Fiducient Advisors
- Members of the Public

Chair Wyss called the meeting to order at **6:01PM**.

**1. To Approve the Minutes from the OPEB Trust Board Regular Meeting held on Monday, 2/26/2024.**

**Motion:**

**Ms. Gifford made a motion to approve the minutes of the OPEB Trust Board regular meeting held on Monday, 2/26/2024. Vice Chair Van Ausdal seconded the motion. The vote was unanimous, and the motion carried.**

**2. Public Comment.**

Chair Wyss opened the floor to Public Comment. There was no Public Comment.

**3. Fiducient Advisors Quarterly Oversight Review.**

Kate Pizzi and Richard Carey of Fiducient Advisors presented the Fiducient Advisors Quarterly Oversight Review to the OPEB Trust Board.

Ms. Pizzi stated that there are not many updates for the OPEB Trust Board to consider at this time. See below for the Fiduciary Governance Calendar:

## Fiduciary Governance Calendar

The fiduciary governance calendar is designed to create a disciplined framework around governance, which helps ensure that over the course of a calendar year key fiduciary obligations and responsibilities are being met.



Ms. Pizzi briefly discussed what actions Fiducient Advisors recommends their clients take concerning investment policies. See below for a listing:

## Investment Policy Statement

A well-written Investment Policy Statement serves as the blueprint for the management of the investment program. As such, there are certain criteria that are required in an IPS, and other criteria that may or may not be included based on the organization's circumstances:

### Important elements of an IPS to consider:

Investment objective(s)	✓
Assignment of responsibilities	✓
Asset allocation framework	✓
Rebalancing guidelines	✓
Selection and monitoring criteria for investment strategies	✓
Termination guidelines for investment strategies	✓
Proxy Voting	✓

*In the following pages, you will find the most recent IPS on file for the Town of Redding OPEB.*

- The body of the IPS is as of October 2023, and the asset allocation table in Appendix A is as of February 2024.
- The IPS was most recently approved by the Investment Committee in February 2024.
- There are no recommendations for change at this point in time.

She stated that the Town of Redding has been following all the proper protocols.

Ms. Pizzi stated that the Town of Redding’s last change to Investment Policy was the addition of an updated Target Allocation table. This change was previously approved by the OPEB Trust Board at its February 2024 meeting and the updated Target Allocation table was signed by Chair Wyss, as shown below.

**Schedule A**

**Revised February 2024**

**Target Asset Allocation Table**

Asset Class	Target Weight	Benchmark Index
<b>Fixed Income:</b>		
U.S. Aggregate	25.0%	Bloomberg U.S. Aggregate
Short-Term	10.0%	Bloomberg 1-3 Year Gov/Credit
<b>Domestic Equities:</b>		
Large Cap	28.0%	S&P 500
Small/Mid Cap	9.5%	Russell 2000 Index
<b>International Equities:</b>		
Developed	16.0%	MSCI EAFE Index
Emerging	7.0%	MSCI Emerging Markets Index
Alternatives	4.5%	MSCI US REIT Index

**Approval**

It is understood that this investment policy is to be reviewed periodically, at least annually, by the Board to determine if any revisions are warranted by changing circumstances including, but not limited to, changes in financial status, risk tolerance, or changes involving the investment managers/funds.

The signature below affirms that this statement has been read, understood, accepted, and approved by the Board.

Town of Redding OPEB Trust

Name: Jenifer Wyss, Chairperson

Signature: Jenifer Wyss

Date: 3.6.2024

Ms. Pizzi explained the governance and oversight philosophy of Fiducient Advisors. See below for details:

## Governance & Oversight

---



### “Five Key Duties”

- While governmental plans are not subject to Title I of ERISA, which deals with fiduciary duties, they are subject to applicable provisions in the Internal Revenue Code (“Code”) and state laws.
- Legislative history suggests that the satisfaction of ERISA rules would be sufficient to satisfy the Code requirements.
- The “exclusive benefit rule” under IRC Section 401(a)(2) has been interpreted to mean exercise of prudence in the investment of plan assets is a requirement.
- Many states have adopted “prudent investor” language, which includes many of the basic ERISA fiduciary principles (including duty of loyalty, duty of prudence, duty to diversify).

<b>Duty of Loyalty:</b> Act exclusively in the interest of plan participants and beneficiaries
<b>Duty of Prudence:</b> Act in accordance with the “prudent expert rule”
<b>Duty to Diversify Investments:</b> Diversify the portfolio options to balance risk
<b>Duty to Follow Plan Documents:</b> Follow the plan provisions and policies governing the plan
<b>Duty to Avoid Prohibited Transactions:</b> Ensure legal and appropriate transactions and be free from conflict

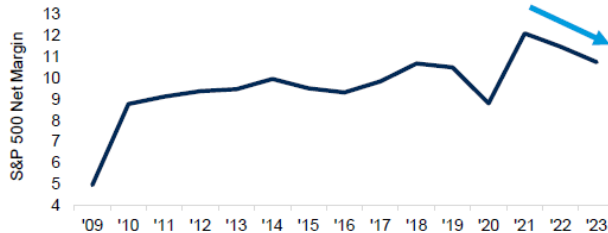
Ms. Pizzi updated the OPEB Trust Board on current market conditions. See below for details:

## Market Themes

1. The S&P 500 Index reached new highs in the first quarter and valuations moved higher. Strong price movement accounted for the valuation jump as earnings growth remains muted, and much of the valuation move can be attributed to the concentrated top constituents.
2. Profit margins have been trending lower as input costs (higher rates and higher wages) have moved higher. This implies companies will need to exceed revenue expectations, cut costs, or both to meet expectations and justify multiples.
3. Fixed income valuations look favorable relative to equities and with expected rate cuts on the horizon, the expected return prospects for fixed income look attractive.

### S&P 500 Net Margins Trending Off Recent Highs

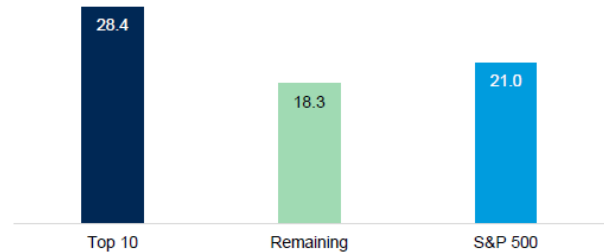
Corporate profitability remains favorable compared to the last 15 years, but has trended lower from highs in 2021. Higher wages and rising cost of capital (higher interest rates) have all contributed to the shrinking. Expectations are for positive earnings growth in Q1 (3.6%) and for CY 2024 (11%) but slimming margins may be a headwind.



Sources: FactSet. As of March 31, 2024.

### Forward P/E Ratio – Top 10 Constituents vs. S&P 500

Concentrated leadership in the S&P 500 has driven valuations higher. The top ten constituents trade at a significant premium to the remaining stocks in the index creating potential opportunities outside of these expensive large cap names.



Sources: FactSet, S&P, JPMorgan. As of March 31, 2024.

### Performance Following the Fed's First Cut – Next 12 Months

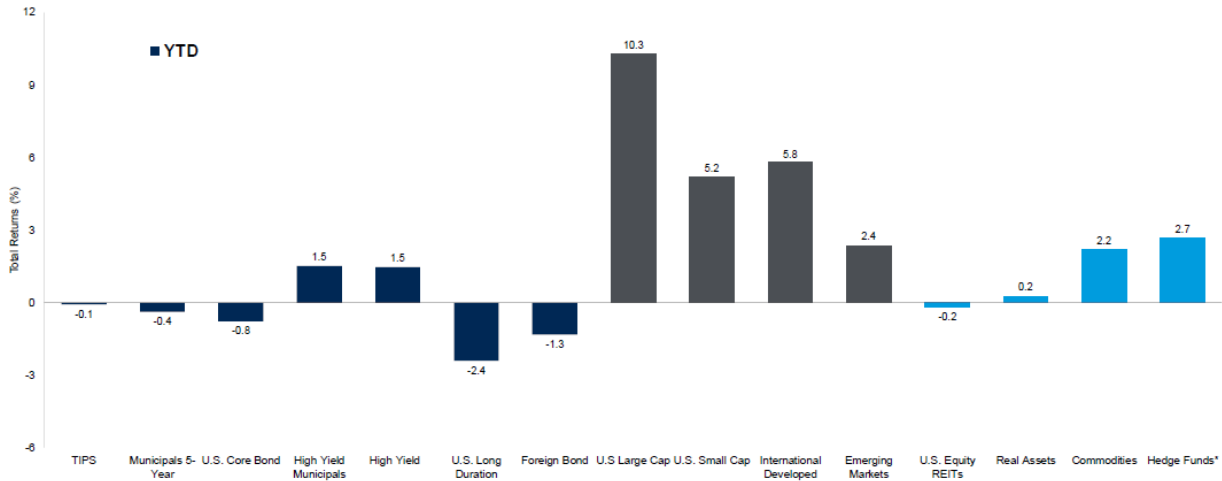
Expectations for interest rate cuts have shifted to later in the year. Over the last three cut cycles, fixed income has performed well relative to both cash and equities. Additionally, core fixed income has a positive asymmetric return profile at current duration and yield levels.

Date of First Fed Rate Cut	Forward 12-M Return from Date of First Rate Cut		
	Bbg Agg	1-3M T-Bill	S&P 500
8/1/2019	10.1	1.3	12.0
9/18/2007	6.0	2.8	-20.0
1/3/2001	7.0	4.0	-8.8
9/29/1998	0.3	4.6	23.9
7/6/1995	3.3	5.5	23.0
Averages	5.4	3.7	6.0

Sources: Federal Reserve, FactSet, Morningstar Direct. As of March 31, 2024. Indexes used are Bloomberg U.S. Aggregate Bond Index, Bloomberg 1-3m TBill Index, and S&P 500 Index.

Ms. Pizzi discussed Asset Class Returns. See below for details:

## Asset Class Returns



### Fixed Income (1Q 2024)

- The broader fixed income market came under pressure in the quarter as interest rates moved higher. Markets repriced expectations from six rate cuts to three by the end of the year.

+ High yield outperformed within fixed income during the quarter. A resilient economic backdrop and reasonable corporate fundamentals have supported the sector.

- A stronger U.S. dollar was a large driver of non-USD fixed income weakness.

### Equity (1Q 2024)

+ U.S. equities posted strong returns in the first quarter with U.S. large cap hitting new highs and outpacing small cap. A small number of large index constituents continue to be a material driver of returns.

+ Developed non-U.S. had a nice quarter. Japan had a notable quarter amid corporate reform and a lower yen price, while moderating inflation in Europe buoyed the region despite anemic growth.

+ Emerging markets was positive as well, with India posting a strong gain while Brazil and China detracted.

### Real Asset / Alternatives (1Q 2024)

- Rising interest rates were a headwind for REITs in the quarter. Diversified and self storage detracted while data centers and specialty outperformed.

+ Commodities generated a positive return, driven by price strength within the energy and precious metal sub-sectors.

+ Hedge funds (reported on a month lag) posted a positive return for the first two months of the year. Long short equity and technology & healthcare strategies performed well.

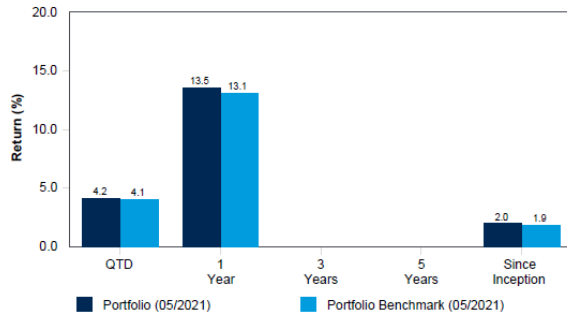
Mr. Carey updated the OPEB Trust Board on the portfolio performance. See below for details:

## Portfolio Dashboard

Redding OPEB

As of March 31, 2024

### Historical Performance



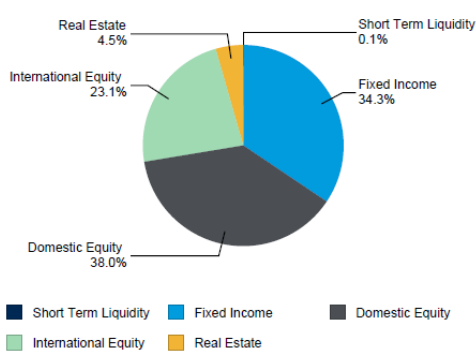
### Summary of Cash Flows

	QTD	Since Inception
<b>Redding OPEB*</b>		
Beginning Market Value	1,452,882	500,000
Net Contributions	50,000	950,000
Gain/Loss	63,112	115,993
Ending Market Value	1,565,993	1,565,993

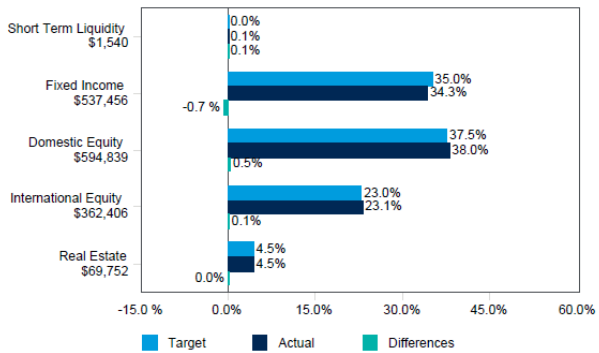
### Current Benchmark Composition

From Date	To Date	Composition
04/2023	Present	3.00% Bimbg. U.S. TIPS, 10.00% Bimbg. 1-3 Govt, 22.00% Bimbg. U.S. Aggregate, 24.50% S&P 500, 8.00% Russell 2000 Index, 18.50% MSCI EAFE (Net), 9.50% MSCI Emerging Markets (Price), 4.50% MSCI U.S. REIT Index (Net)

### Portfolio Allocation



### Actual vs. Target Allocations



\*Performance has been adjusted systematically to account for Fiduciant Advisors' fee.

Ms. Gifford asked Mr. Carey about benchmarking and the mismatch between what is stated currently and what will be presented at the next quarterly update. Mr. Carey stated that there is historical data presented as well as the current targets. Additionally, investment of the next quarterly contribution will rebalance Fund assets to their target allocations.

See below for current asset allocations:

## Asset Allocation

Redding OPEB

As of March 31, 2024

	Asset Allocation (\$)	Asset Allocation (%)	Target Allocation (%)	Differences (%)
<b>Redding OPEB*</b>	<b>1,565,993</b>	<b>100.0</b>	<b>100.0</b>	<b>0.0</b>
<b>Short Term Liquidity</b>	<b>1,540</b>	<b>0.1</b>	<b>0.0</b>	<b>0.1</b>
Cash	1,540	0.1	0.0	0.1
<b>Fixed Income</b>	<b>537,456</b>	<b>34.3</b>	<b>35.0</b>	<b>-0.7</b>
Schwab Short-Term Bond Index	153,256	9.8	10.0	-0.2
Schwab US Aggregate Bond Index	384,200	24.5	25.0	-0.5
<b>Domestic Equity</b>	<b>594,839</b>	<b>38.0</b>	<b>37.5</b>	<b>0.5</b>
Schwab S&P 500 Index	443,685	28.3	28.0	0.3
Vanguard Extended Market Index Adm	151,153	9.7	9.5	0.2
<b>International Equity</b>	<b>362,406</b>	<b>23.1</b>	<b>23.0</b>	<b>0.1</b>
Schwab International Index	252,992	16.2	16.0	0.2
Vanguard Emerging Markets Stock Adm	109,414	7.0	7.0	0.0
<b>Real Estate</b>	<b>69,752</b>	<b>4.5</b>	<b>4.5</b>	<b>0.0</b>
Vanguard Real Estate Index Fund Adm	69,752	4.5	4.5	0.0

Chair Wyss asked Ms. Pizzi and Mr. Carey about their recommendations to current allocations. Ms. Pizzi stated that Fiduciant Advisors recommend no changes at this time.

Mr. Carey presented the Manager Performance slides. See below for details:

## Manager Performance

Redding OPEB

As of March 31, 2024

	Allocation		Performance(%)							Inception Date	Manager Status
	Market Value (\$)	%	QTD	1 Year	3 Years	5 Years	10 Years	Since Inception			
<b>Redding OPEB*</b>	<b>1,565,993</b>	<b>100.0</b>	<b>4.2</b>	<b>13.5</b>	-	-	-	<b>2.0</b>	<b>05/2021</b>		
<i>Blended Benchmark</i>			4.1	13.1	-	-	-	1.9			
<b>Short Term Liquidity</b>	<b>1,540</b>	<b>0.1</b>	<b>0.1</b>	<b>0.8</b>	-	-	-	<b>2.0</b>	<b>06/2021</b>		
<i>90 Day U.S. Treasury Bill</i>			1.3	5.2	2.6	2.0	1.4	2.7			
<b>Cash</b>	<b>1,540</b>	<b>0.1</b>	<b>0.1</b>	<b>0.8</b>	-	-	-	<b>2.0</b>	<b>06/2021</b>		
<i>90 Day U.S. Treasury Bill</i>			1.3	5.2	2.6	2.0	1.4	2.7			
<b>Fixed Income</b>	<b>537,456</b>	<b>34.3</b>	<b>-0.5</b>	<b>1.7</b>	-	-	-	<b>-1.4</b>	<b>06/2021</b>		
<i>FJ Composite Benchmark</i>			-0.4	2.0	-	-	-	-0.9			
<b>Schwab Short-Term Bond Index</b>	<b>153,256</b>	<b>9.8</b>	<b>0.1</b>	<b>3.0</b>	<b>-0.5</b>	<b>1.1</b>	-	<b>-0.7</b>	<b>06/2021</b>	<b>Maintain</b>	
<i>Bimbg. 1-3 Year Gov/Credit</i>			0.4	3.5	0.2	1.4	1.3	0.2			
IM U.S. Short Term Investment Grade (MF) Median			1.1	5.3	1.0	1.9	1.6	1.0			
Schwab Short-Term Bond Index Rank			100	100	98	89	-	98			
<b>Schwab US Aggregate Bond Index</b>	<b>384,200</b>	<b>24.5</b>	<b>-0.8</b>	<b>1.4</b>	<b>-2.6</b>	<b>0.2</b>	-	<b>-3.1</b>	<b>06/2021</b>	<b>Maintain</b>	
<i>Bimbg. U.S. Aggregate</i>			-0.8	1.7	-2.5	0.4	1.5	-3.0			
IM U.S. Broad Market Core Fixed Income (MF) Median			-0.5	2.1	-2.5	0.5	1.5	-3.1			
Schwab US Aggregate Bond Index Rank			78	76	52	71	-	52			
<b>Domestic Equity</b>	<b>594,839</b>	<b>38.0</b>	<b>9.6</b>	<b>29.2</b>	-	-	-	<b>7.6</b>	<b>06/2021</b>		
<i>DE Composite Benchmark</i>			9.2	27.5	-	-	-	7.3			
<b>Schwab S&amp;P 500 Index</b>	<b>443,685</b>	<b>28.3</b>	<b>10.5</b>	<b>29.8</b>	<b>11.5</b>	<b>15.0</b>	<b>12.9</b>	<b>9.9</b>	<b>06/2021</b>	<b>Maintain</b>	
<i>S&amp;P 500</i>			10.6	29.9	11.5	15.0	13.0	9.9			
IM U.S. Large Cap Core Equity (MF) Median			10.7	29.6	10.3	14.1	12.0	8.7			
Schwab S&P 500 Index Rank			52	47	28	25	16	26			

## Manager Performance

Redding OPEB

As of March 31, 2024

	Allocation		Performance(%)							Inception Date	Manager Status
	Market Value (\$)	%	QTD	1 Year	3 Years	5 Years	10 Years	Since Inception			
<b>Vanguard Extended Market Index Adm</b>	<b>151,153</b>	<b>9.7</b>	<b>7.0</b>	<b>26.7</b>	<b>1.0</b>	<b>10.1</b>	<b>9.0</b>	<b>-0.2</b>	<b>06/2021</b>	<b>Maintain</b>	
<i>Vanguard Spliced Extended Market Index (Net)</i>			7.0	26.3	0.8	10.0	8.9	-0.4			
IM U.S. Mid Cap Core Equity (MF) Median			9.1	21.9	7.5	10.8	8.1	5.7			
Vanguard Extended Market Index Adm Rank			85	17	99	67	31	99			
<b>International Equity</b>	<b>362,406</b>	<b>23.1</b>	<b>4.5</b>	<b>12.4</b>	-	-	-	<b>0.0</b>	<b>06/2021</b>		
<i>IE Composite Benchmark</i>			4.5	11.9	-	-	-	-1.3			
<b>Schwab International Index</b>	<b>252,992</b>	<b>16.2</b>	<b>5.8</b>	<b>15.1</b>	<b>4.9</b>	<b>7.4</b>	<b>4.8</b>	<b>2.8</b>	<b>06/2021</b>	<b>Maintain</b>	
<i>MSCI EAFE (Net)</i>			5.8	15.3	4.8	7.3	4.8	2.8			
IM International Large Cap Core Equity (MF) Median			5.6	13.6	3.8	7.2	4.2	1.7			
Schwab International Index Rank			38	35	23	44	18	23			
<b>Vanguard Emerging Markets Stock Adm</b>	<b>109,414</b>	<b>7.0</b>	<b>1.9</b>	<b>7.4</b>	<b>-3.8</b>	<b>2.8</b>	<b>3.2</b>	<b>-5.3</b>	<b>06/2021</b>	<b>Maintain</b>	
<i>Vanguard Spliced Emerging Markets Index (Net)</i>			2.0	8.5	-3.2	3.2	3.4	-5.2			
IM Emerging Markets Equity (MF) Median			3.0	9.0	-5.5	2.7	2.8	-7.1			
Vanguard Emerging Markets Stock Adm Rank			74	62	36	46	41	34			
<b>Real Estate</b>	<b>69,752</b>	<b>4.5</b>	<b>-1.2</b>	<b>8.5</b>	-	-	-	<b>-1.3</b>	<b>06/2021</b>		
<i>Vanguard Spliced Real Estate Index</i>			-1.1	8.7	1.9	3.8	6.3	-1.0			
<b>Vanguard Real Estate Index Fund Adm</b>	<b>69,752</b>	<b>4.5</b>	<b>-1.2</b>	<b>8.5</b>	<b>1.7</b>	<b>3.7</b>	<b>6.2</b>	<b>-1.1</b>	<b>06/2021</b>	<b>Maintain</b>	
<i>Vanguard Spliced Real Estate Index</i>			-1.1	8.7	1.9	3.8	6.3	-1.0			
IM Real Estate Sector (MF) Median			-1.1	8.2	2.4	3.8	6.1	-0.4			
Vanguard Real Estate Index Fund Adm Rank			57	46	69	53	46	72			

## 4. Discussion and Possible Action: Re-Allocation of Investments.

There was no action taken on this item.



**5. Discussion and Possible Action: March 2024 Schwab Investment Statement.**

**Motion:**

**Mr. Mazzucco made a motion to accept the March 2024 Schwab Investment Statement. Ms. Gifford seconded the motion. The vote was unanimous, and the motion carried.**

**6. Discussion: FY24 Quarterly Contribution to Trust Fund.**

The OPEB Trust Board confirmed the final \$50,000 quarterly contribution to the OPEB Trust for FY 2024.

**7. Other Business.**

There was no other business discussed.

**8. Public Comment.**

Chair Wyss opened the floor to Public Comment. There was no Public Comment.

**Motion:**

**Mr. Barickman made a motion to adjourn the meeting. Vice Chair Van Ausdal seconded the motion. The vote was unanimous, and the motion carried.**

The meeting was adjourned at **6:26PM**.

*Submitted by,  
Zachary Smith*