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# CITY OF SAN LEANDRO

PARS 115 Trust – OPEB Prefunding Program &  
Pension Rate Stabilization Program Plan Client Review  
May 3, 2022

# CONTACTS

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# SUMMARY OF AGENCY'S OPEB PLAN

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<b>Plan Type:</b>	IRC Section 115 Irrevocable Exclusive Benefit Trust
<b>Trustee Approach:</b>	Discretionary
<b>Plan Effective Date:</b>	June 1, 2009
<b>Plan Administrator:</b>	City Manager
<b>Current Investment Strategy:</b>	Moderately Conservative HighMark Plus (Active) Strategy; Individual Account

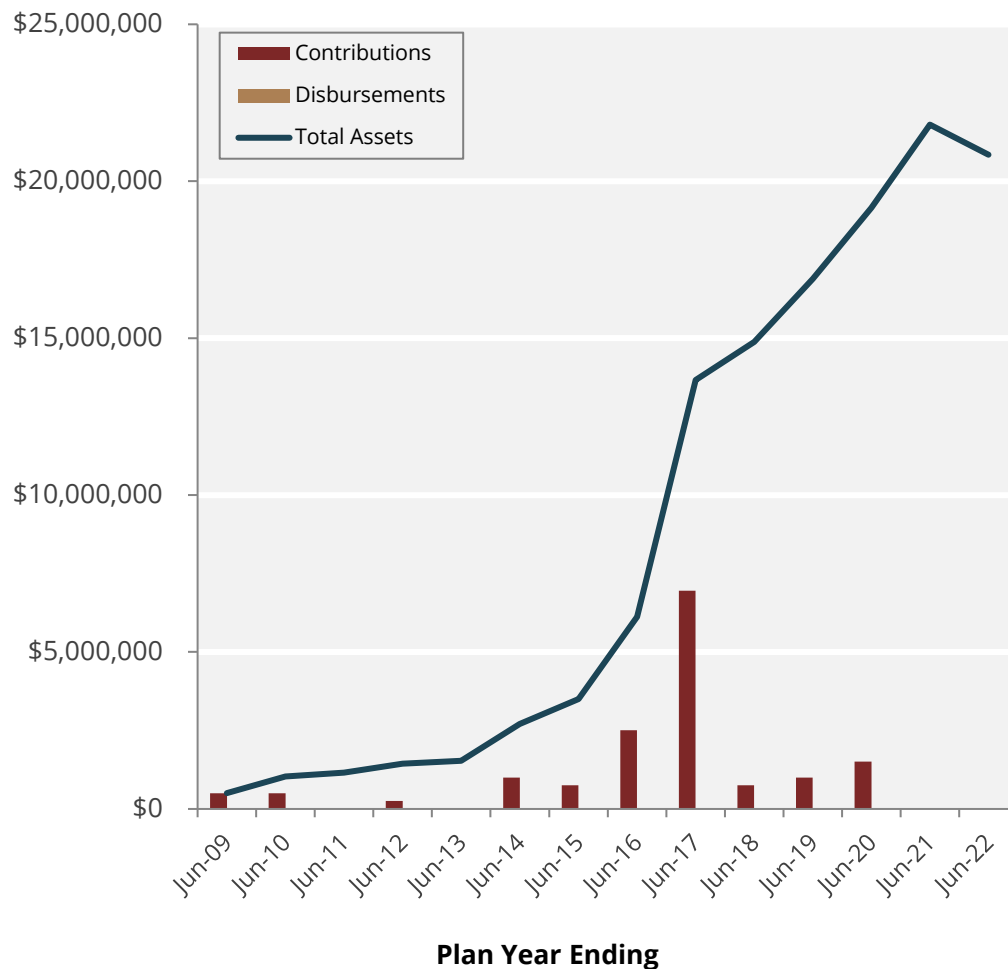
## AS OF MARCH 31, 2022:

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<b>Initial Contribution:</b>	June 2009: \$500,000
<b>Additional Contributions:</b>	\$15,190,000
<b>Total Contributions:</b>	\$15,690,000
<b>Disbursements:</b>	\$0
<b>Total Investment Earnings:</b>	\$5,656,651
<b>Account Balance:</b>	\$20,844,592

# SUMMARY OF AGENCY'S OPEB PLAN

## HISTORY OF CONTRIBUTIONS, DISBURSEMENTS, AND TOTAL ASSETS AS OF MARCH 31, 2022:



Year	Contributions	Disbursements	Total Assets
Jun-09*	\$500,000	\$0	\$500,288
Jun-10	\$500,000	\$0	\$1,026,342
Jun-11	\$0	\$0	\$1,156,626
Jun-12	\$250,000	\$0	\$1,443,468
Jun-13	\$0	\$0	\$1,531,994
Jun-14	\$990,000	\$0	\$2,700,083
Jun-15	\$750,000	\$0	\$3,502,137
Jun-16	\$2,500,000	\$0	\$6,115,430
Jun-17	\$6,950,000	\$0	\$13,665,308
Jun-18	\$750,000	\$0	\$14,876,397
Jun-19	\$1,000,000	\$0	\$16,887,508
Jun-20	\$1,500,000	\$0	\$19,149,376
Jun-21	\$0	\$0	\$21,807,092
Jun-22**	\$0	\$0	\$20,844,592

\*Plan Year Ending June 2009 is based on 1 month of activity.

\*\*Plan Year Ending June 2022 is based on 9 months of activity.

\*\*\*Account value as of quarter-end includes all interest and dividends.

# SUMMARY OF AGENCY'S PENSION PLAN

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<b>Plan Type:</b>	IRC Section 115 Irrevocable Exclusive Benefit Trust
<b>Trustee Approach:</b>	Discretionary
<b>Plan Effective Date:</b>	June 7, 2021
<b>Plan Administrator:</b>	City Manager
<b>Current Investment Strategy:</b>	Moderate HighMark Plus (Active) Strategy; Individual Account

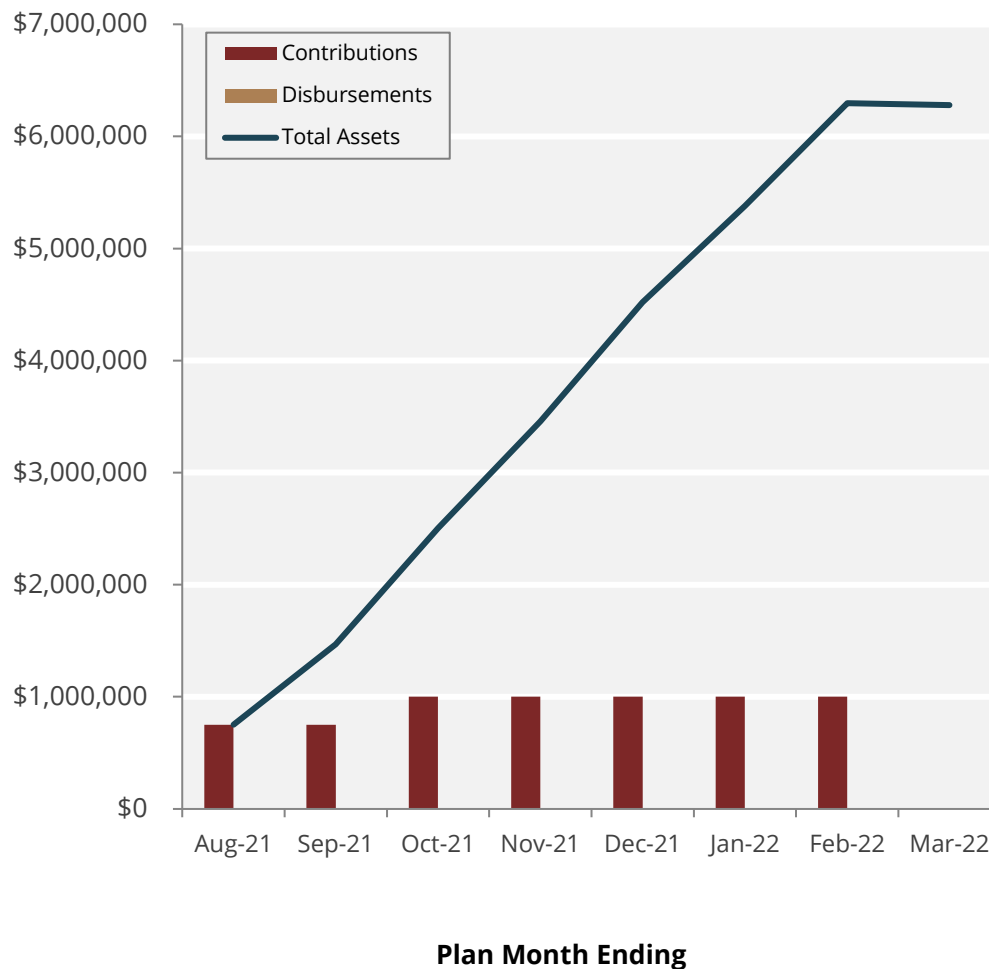
## AS OF MARCH 31, 2022:

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<b>Initial Contribution:</b>	August 2021: \$750,000
<b>Additional Contributions:</b>	\$5,750,000
<b>Total Contributions:</b>	\$6,500,000
<b>Disbursements:</b>	\$0
<b>Total Investment Earnings:</b>	(\$211,350)
<b>Account Balance:</b>	\$6,280,453

# SUMMARY OF AGENCY'S PENSION PLAN

## HISTORY OF CONTRIBUTIONS, DISBURSEMENTS, AND TOTAL ASSETS AS OF MARCH 31, 2022:



Month	Contributions	Disbursements	Total Assets
Aug-21	\$750,000	\$0	\$750,000
Sep-21	\$750,000	\$0	\$1,467,879
Oct-21	\$1,000,000	\$0	\$2,505,487
Nov-21	\$1,000,000	\$0	\$3,458,098
Dec-21	\$1,000,000	\$0	\$4,521,301
Jan-22	\$1,000,000	\$0	\$5,380,934
Feb-22	\$1,000,000	\$0	\$6,296,090
Mar-22	\$0	\$0	\$6,280,453

# HIGHMARK CAPITAL MANAGEMENT INVESTMENT REVIEW

**City of San Leandro**

**First Quarter 2022**

**Presented by  
Randall Yurchak, CFA**



# DISCUSSION HIGHLIGHTS – City of San Leandro

## Investment objective:

- **OPEB:** Moderately Conservative Highmark Plus (Active)
- **Pension:** Moderate Highmark Plus (Active)

## Asset Allocation

- **OPEB:** 28.9% stocks (20-40% range), 67.9% bonds (50-80% range), 3.2% cash (0-20% range)
- **Pension:** 48.5% stocks (40-60% range), 46.7% bonds (40-60% range), 4.8% cash (0-20% range)

## Performance *(as of 03-31-2022; net fund fees, gross investment management fees):*

- |                           | <b>OPEB</b> | <b>Pension</b> |
|---------------------------|-------------|----------------|
| ▪ 3 month:                | -5.23%      | -4.86%         |
| ▪ 1-year:                 | -.58%       |                |
| ▪ 3-year:                 | 5.79%       |                |
| ▪ 5-year:                 | 5.46%       |                |
| ▪ 10-year:                | 5.13%       |                |
| ▪ Inception (7/09, 9/21): | 6.02%       | -5.13%         |
- Bonds: Rising bond yields suggests inflation *may* persist longer than previous market expectations.
  - Stocks: Equities higher given easy monetary policies and expected continued economic recovery this year.
    - Domestic markets: Large Cap outperformed Small Cap recently as slowing growth expectations impacted higher-risk assets.
    - International: International underperformed domestic as vaccination roll-out and growth lagged the US.

## 12-Month Changes

- Stocks: modest underweight
- Bonds: modest overweight
- Cash: slight underweight

## Outlook 2022

- Corporate profit growth expected to continue with S&P 500 earnings +8% FY22 est. vs. +65% FY21 est.
- Volatility likely to persist with flattening yield curve, higher inflation near-term, and faster-than-expected Fed tightening
- Potential tax law changes may cause volatility
- Geopolitical uncertainty: China, Middle East, Russia, Ukraine

**Selected Period Performance**  
**City of San Leandro OPEB Plan**  
**Period Ending: 3/31/2022**

	Year to Date (3 Months)	1 Year	3 Years	5 Years	10 Years	Inception to Date 07/01/2009
Cash Equivalents	.01	.02	.63	.96	.52	.44
<i>Lipper Money Market Funds Index</i>	<i>.01</i>	<i>.01</i>	<i>.61</i>	<i>.91</i>	<i>.48</i>	<i>.38</i>
Total Fixed Income	-5.51	-3.75	1.85	2.22	2.41	3.47
<i>Bloomberg US Aggregate Bd Index</i>	<i>-5.93</i>	<i>-4.15</i>	<i>1.69</i>	<i>2.14</i>	<i>2.24</i>	<i>3.20</i>
Total Equities	-5.02	6.24	14.78	12.73	11.47	12.82
Large Cap Funds	-4.83	12.43	18.40	15.56	14.23	14.74
<i>S&amp;P 500 Composite Index</i>	<i>-4.60</i>	<i>15.65</i>	<i>18.92</i>	<i>15.99</i>	<i>14.64</i>	<i>15.61</i>
Mid Cap Funds	-5.59	7.02	14.80	12.54	11.39	
<i>Russell Midcap Index</i>	<i>-5.68</i>	<i>6.92</i>	<i>14.89</i>	<i>12.62</i>	<i>12.85</i>	<i>15.05</i>
Small Cap Funds	-4.19	-3.68	12.30	12.06	12.84	15.37
<i>Russell 2000 Index</i>	<i>-7.53</i>	<i>-5.79</i>	<i>11.74</i>	<i>9.74</i>	<i>11.04</i>	<i>13.14</i>
International Equities	-6.04	-3.94	8.45	7.28	5.12	6.70
<i>MSCI EAFE Index</i>	<i>-5.91</i>	<i>1.16</i>	<i>7.78</i>	<i>6.72</i>	<i>6.27</i>	<i>6.94</i>
<i>MSCI EM Free Index</i>	<i>-6.97</i>	<i>-11.37</i>	<i>4.94</i>	<i>5.98</i>	<i>3.36</i>	<i>5.67</i>
RR: REITS	-6.09	20.59	11.27	9.88		
<i>Wilshire REIT Index</i>	<i>-3.87</i>	<i>29.14</i>	<i>11.94</i>	<i>10.04</i>	<i>9.90</i>	<i>14.95</i>
Total Managed Portfolio	-5.23	-.58	5.79	5.46	5.13	6.02

**\*Account Inception: 7/1/2009, Initial Contribution received June 2009.**

Aggregate is composed of account XXXXX19203, PARS/PRHCP MOD CONSERV HM PLUS, from 07/01/2009 until 08/31/2015, then of its own proprietary account XXXXX50400, PARS/CITY OF SAN LEANDRO, from 09/01/2015 until 6/30/2021, and then invested into a new proprietary account XXXXX65601, PARS/CITY OF SAN LEANDRO 115P – OPEB, from 7/1/2021 and onwards.. Returns are gross of account level investment advisory fees and net of any fees, including fees to manage mutual fund or exchange traded fund holdings. Returns for periods over one year are annualized. The information presented has been obtained from sources believed to be accurate and reliable. Past performance is not indicative of future returns. Securities are not FDIC insured, have no bank guarantee, and may lose value.

# Asset Allocation

## As of March 31, 2022

Current Asset Allocation		Investment Vehicle		
<b>Equity</b>	<b>28.94%</b>		<b>Range: 20%-40%</b>	<b>6,024,888</b>
Large Cap Core	2.90%	COFYX	Columbia Contrarian Core Inst3	603,028
	5.43%	VGIAX	Vanguard Growth & Income Adm	1,130,511
Large Cap Value	2.54%	DODGX	Dodge & Cox Stock Fund	529,162
	1.18%	IVE	iShares S&P 500 Value ETF	246,193
Large Cap Growth	1.63%	HNACX	Harbor Capital Appreciation Retirement	340,145
	1.63%	PRUFX	T. Rowe Price Growth Stock Fund I	340,390
Mid Cap Core	2.94%	IWR	iShares Russell Mid-Cap ETF	613,082
Small Cap Value	2.24%	UBVFX	Undiscovered Managers Behavioral Val R6	466,827
Small Cap Growth	2.21%	VBK	Vanguard Small-Cap Growth ETF	461,026
International Core	1.78%	DFALX	DFA Large Cap International I	370,398
International Value	0.69%	DODFX	Dodge & Cox International Stock Fund	142,807
International Growth	0.69%	MGRDX	MFS® International Growth R6	143,815
Emerging Markets	2.02%	HHHFX	Hartford Schroders Emerging Mkts Eq F	420,005
Real Estate	1.04%	VNQ	Vanguard Real Estate ETF	217,499
<b>Fixed Income</b>	<b>67.88%</b>		<b>Range: 50%-80%</b>	<b>14,133,809</b>
High Yield	1.04%	PHIYX	PIMCO High Yield Instl	216,052
Short-Term	13.37%	VFSUX	Vanguard Short-Term Investment-Grade Adm	2,784,162
Intermediate-Term	17.75%	DBLFX	DoubleLine Core Fixed Income I	3,696,306
	17.86%	PTTRX	PIMCO Total Return Instl Fund	3,719,643
	17.85%	PTRQX	Prudential Total Return Bond Q	3,717,647
<b>Cash</b>	<b>3.19%</b>		<b>Range: 0%-20%</b>	<b>663,387</b>
	3.19%	FGZXX	First American Government Oblig Z	663,387
<b>TOTAL</b>	<b>100.00%</b>			<b>\$20,822,084</b>

**Selected Period Performance**  
**PARS/CITY OF SAN LEANDRO 115P PENS**  
**Account XXXXX65600**  
**Period Ending: 3/31/2022**

	Year to Date (3 Months)	7 Months
Cash Equivalents	.01	.02
<i>Lipper Money Market Funds Index</i>	<i>.01</i>	<i>.01</i>
Total Fixed Income	-5.52	-6.66
<i>Bloomberg US Aggregate Bd Index</i>	<i>-5.93</i>	<i>-6.74</i>
Total Equities	-4.97	-4.21
Large Cap Funds	-4.74	-1.93
<i>S&amp;P 500 Composite Index</i>	<i>-4.60</i>	<i>1.00</i>
Mid Cap Funds	-5.52	-4.21
<i>Russell Midcap Index</i>	<i>-5.68</i>	<i>-3.74</i>
Small Cap Funds	-4.19	-7.02
<i>Russell 2000 Index</i>	<i>-7.53</i>	<i>-8.33</i>
International Equities	-6.07	-9.35
<i>MSCI EAFE Index</i>	<i>-5.91</i>	<i>-6.18</i>
<i>MSCI EM Free Index</i>	<i>-6.97</i>	<i>-11.84</i>
RR: REITS	-5.86	.36
<i>Wilshire REIT Index</i>	<i>-3.87</i>	<i>6.85</i>
Total Managed Portfolio	-4.86	-5.13

**Performance Inception: 9/01/2021**

Returns are gross of account level investment advisory fees and net of any fees, including fees to manage mutual fund or exchange traded fund holdings. Returns for periods over one year are annualized. The information presented has been obtained from sources believed to be accurate and reliable. Past performance is not indicative of future returns. Securities are not FDIC insured, have no bank guarantee, and may lose value.

# Asset Allocation

## As of March 31, 2022

Current Asset Allocation		Investment Vehicle		
<b>Equity</b>	<b>48.48%</b>		<b>Range: 40%-60%</b>	<b>3,042,543</b>
Large Cap Core	4.91%	COFYX	Columbia Contrarian Core Inst3	307,820
	9.32%	VGIAX	Vanguard Growth & Income Adm	585,099
Large Cap Value	4.33%	DODGX	Dodge & Cox Stock Fund	271,901
	2.02%	IVE	iShares S&P 500 Value ETF	126,756
Large Cap Growth	2.79%	HNACX	Harbor Capital Appreciation Retirement	175,297
	2.80%	PRUFX	T. Rowe Price Growth Stock Fund I	175,423
Mid Cap Core	4.90%	IWR	iShares Russell Mid-Cap ETF	307,322
Small Cap Value	3.70%	UBVFX	Undiscovered Managers Behavioral Val R6	232,295
Small Cap Growth	3.84%	VBK	Vanguard Small-Cap Growth ETF	240,686
International Core	2.76%	DFALX	DFA Large Cap International I	173,463
International Value	1.00%	DODFX	Dodge & Cox International Stock Fund	63,033
International Growth	1.02%	MGRDX	MFS® International Growth R6	64,106
Emerging Markets	3.32%	HHHFX	Hartford Schroders Emerging Mkts Eq F	208,155
Real Estate	1.77%	VNQ	Vanguard Real Estate ETF	111,188
<b>Fixed Income</b>	<b>46.73%</b>		<b>Range: 40%-60%</b>	<b>2,932,670</b>
High Yield	1.02%	PHIYX	PIMCO High Yield Instl	63,877
Short-Term	9.60%	VFSUX	Vanguard Short-Term Investment-Grade Adm	602,581
Intermediate-Term	12.00%	DBLFX	DoubleLine Core Fixed Income I	752,879
	12.05%	PTTRX	PIMCO Total Return Instl Fund	756,142
	12.07%	PTRQX	Prudential Total Return Bond Q	757,191
<b>Cash</b>	<b>4.78%</b>		<b>Range: 0%-20%</b>	<b>300,235</b>
	4.78%	FGZXX	First American Government Oblig Z	300,235
<b>TOTAL</b>	<b>100.00%</b>			<b>\$6,275,448</b>

# CITY OF SAN LEANDRO

## For Period Ending March 31, 2022

LARGE CAP EQUITY FUNDS							
Fund Name	1-Month Return	3-Month Return	Year-to- Date	1-Year Return	3-Year Return	5-Year Return	10-Year Return
Columbia Contrarian Core Inst3	2.73	-2.96	-2.96	12.72	19.88	15.41	14.63
Vanguard Growth & Income Adm	3.67	-3.90	-3.90	16.04	18.83	15.78	14.65
Dodge & Cox Stock	1.53	1.01	1.01	14.85	17.30	13.27	14.25
iShares S&P 500 Value ETF	2.95	-0.21	-0.21	12.39	13.93	10.96	11.71
Harbor Capital Appreciation Retirement	3.72	-13.59	-13.59	3.49	20.59	20.32	16.25
T. Rowe Price Growth Stock I	0.56	-15.01	-15.01	-0.42	16.53	16.96	15.28
<b>S&amp;P 500 TR USD</b>	<b>3.71</b>	<b>-4.60</b>	<b>-4.60</b>	<b>15.65</b>	<b>18.92</b>	<b>15.99</b>	<b>14.64</b>
MID CAP EQUITY FUNDS							
iShares Russell Mid-Cap ETF	2.54	-5.72	-5.72	6.72	14.70	12.46	12.68
<b>Russell Mid Cap TR USD</b>	<b>2.56</b>	<b>-5.68</b>	<b>-5.68</b>	<b>6.92</b>	<b>14.89</b>	<b>12.62</b>	<b>12.85</b>
SMALL CAP EQUITY FUNDS							
Undiscovered Managers Behavioral Val R6	-0.55	3.53	3.53	13.48	16.01	10.91	12.65
<b>Russell 2000 Value TR USD</b>	<b>1.96</b>	<b>-2.40</b>	<b>-2.40</b>	<b>3.32</b>	<b>12.73</b>	<b>8.57</b>	<b>10.54</b>
Vanguard Small-Cap Growth ETF	1.22	-11.95	-11.95	-9.25	11.84	12.64	11.92
<b>Russell 2000 Growth TR USD</b>	<b>0.46</b>	<b>-12.63</b>	<b>-12.63</b>	<b>-14.33</b>	<b>9.88</b>	<b>10.33</b>	<b>11.21</b>
INTERNATIONAL EQUITY FUNDS							
Dodge & Cox International Stock	0.84	-0.59	-0.59	2.99	8.01	5.17	6.24
DFA Large Cap International I	0.46	-4.93	-4.93	2.53	8.60	7.23	6.36
MFS International Growth R6	0.78	-8.13	-8.13	0.02	9.67	10.69	7.69
<b>MSCI EAFE NR USD</b>	<b>0.64</b>	<b>-5.91</b>	<b>-5.91</b>	<b>1.16</b>	<b>7.78</b>	<b>6.72</b>	<b>6.27</b>
Hartford Schrodgers Emerging Mkts Eq F	-3.66	-8.76	-8.76	-16.23	5.92	6.85	4.18
<b>MSCI EM NR USD</b>	<b>-2.26</b>	<b>-6.97</b>	<b>-6.97</b>	<b>-11.37</b>	<b>4.94</b>	<b>5.98</b>	<b>3.36</b>

Source: SEI Investments, Morningstar Investments

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# CITY OF SAN LEANDRO

## For Period Ending March 31, 2022

REAL ESTATE FUNDS							
Fund Name	1-Month Return	3-Month Return	Year-to- Date	1-Year Return	3-Year Return	5-Year Return	10-Year Return
Vanguard Real Estate ETF	6.32	-5.97	-5.97	21.45	11.40	9.65	9.69
BOND FUNDS							
PIMCO Total Return Instl	-3.43	-6.19	-6.19	-4.02	2.18	2.50	2.73
PGIM Total Return Bond R6	-2.43	-6.51	-6.51	-3.29	2.20	2.94	3.50
Vanguard Short-Term Investment-Grade Adm	-1.86	-3.80	-3.80	-3.67	1.49	1.78	1.96
DoubleLine Core Fixed Income I	-2.36	-4.88	-4.88	-3.19	1.64	2.22	2.87
<b>Bloomberg US Agg Bond TR USD</b>	<b>-2.78</b>	<b>-5.93</b>	<b>-5.93</b>	<b>-4.15</b>	<b>1.69</b>	<b>2.14</b>	<b>2.24</b>
PIMCO High Yield Instl	-0.89	-4.70	-4.70	-0.91	3.77	4.12	5.14
<b>ICE BofA US High Yield Mstr II Index</b>	<b>-0.93</b>	<b>-4.51</b>	<b>-4.51</b>	<b>-0.29</b>	<b>4.40</b>	<b>4.56</b>	<b>5.74</b>

Source: SEI Investments, Morningstar Investments

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