

Sinking Fund Commission - January Meeting
January 20, 2021

CITY OF PHILADELPHIA
SINKING FUND COMMISSION

IN RE: Quarterly Meeting

- - - - -
Wednesday, January 20, 2021
- - - - -

This Meeting of the Sinking Fund Commission, held pursuant to notice in the above mentioned cause, before Angela M. King, RPR, Court Reporter - Notary Public there being present, held Virtually on the above date, commencing at approximately 10:00 a.m., pursuant to the State of Pennsylvania General Court Rules.

- - -
STREHLOW & ASSOCIATES
FULL SERVICE COURT REPORTING AGENCY
54 FRIENDS LANE, SUITE 116
NEWTOWN, PENNSYLVANIA 18940
(215) 504-4622
SERVING NJ, PA, NY & DE

STREHLOW & ASSOCIATES, INC.
(215) 504-4622

Sinking Fund Commission - January Meeting
January 20, 2021

A P P E A R A N C E S

COMMISSION MEMBERS:

Donn Scott, Chairman
Kellan White, Controller's Office
Francis Bielli, Sitting In
(Pension Board Director)

ALSO PRESENT:

Christopher R. DiFusco, CIO, PGW
Bill Rubin
Adam Coleman
Nick Hand
Vanessa Jackson
Dan Leonard
NEPC Representatives
PFM Representatives

1 and some other things going on this
2 morning, trying to keep the meeting moving
3 along. You will recall that at the
4 September meeting, we heard from three
5 candidates which have since -- consulting
6 candidates which have since been whittled
7 down to two -- NEPC and PFM. Both due to
8 some outstanding questions for both firms
9 as well as a change in the Finance
10 Director's designee, it's decided we would
11 bring these two firms back.

12 I just wanted to comment from my --
13 you know, my perspective. I do think that
14 while both firms gave strong presentations,
15 their updated presentations do leave some
16 open -- some open questions.

17 Just as a couple -- just as an
18 example, you know, all of you are aware
19 that the new assumed rate of return, you
20 know, will be dropping to 7 percent
21 starting the next fiscal year in line with
22 the Finance Director's letter that you
23 received a few weeks ago. Both firms,
24 nevertheless, seemed to be -- if you look

1 - - -
2 CHAIRMAN SCOTT: Good morning,
3 everyone.

4 It's my pleasure to call this
5 meeting of the Sinking Fund Commission
6 meeting to order. The first matter on our
7 Agenda this morning is the approval of the
8 November 2020 minutes.

9 Is there a motion for approval.

10 MR. WHITE: Motion.

11 CHAIRMAN SCOTT: Is there a second.

12 MR. BIELLI: Yes, second.

13 CHAIRMAN SCOTT: Motion has been
14 made and properly seconded. All those in
15 favor, say aye.

16 (Ayes.)

17 CHAIRMAN SCOTT: All right. The
18 ayes have it.

19 The second order of business is the
20 Consultant Finalist Presentations. And I
21 am going to turn that over to Christopher.

22 MR. DiFUSCO: Thanks, Donn.

23 I just want to make a couple quick
24 comments. I know in the interest of time

1 at page 13 of NEPC and page 7 of PFM, both
2 seemed to be talking about potentially even
3 higher amount of alternative assets than
4 have previously been approved. So, PFM
5 makes reference to perhaps going as high as
6 10 percent. NEPC, at least at 7.3, looks
7 like they are talking about going as high
8 as 15 percent, which is very dramatic.

9 You will also note for NEPC, they
10 are talking about a very, very significant
11 reduction in core fixed income, which at
12 least on the surface seems a little bit
13 contrary to reducing the assumed rate of
14 return. There is also some things in the
15 PFM presentation I think that are worth
16 exploring as relates to their investment
17 committee and whether or not, you know,
18 they continue to rely more on OCIO, you
19 know, model as opposed to, you know,
20 tactically or granularly or specifically
21 designed services for us.

22 So, those are just a couple things
23 I wanted to mention. I know I talked to
24 all of you at various points offline. The

Sinking Fund Commission - January Meeting
January 20, 2021

<p style="text-align: right;">Page 6</p> <p>1 fees are now, you know, I assume final. 2 PFM is now down to 190,000. NEPC is at 3 200,000 with slight increases in years two 4 through four. 5 So, happy to take questions or wait 6 till after the presentations. We told them 7 both to be prepared, you know, for 20 8 minutes obviously subject to your 9 discretion if you have more questions or 10 want to go longer. 11 CHAIRMAN SCOTT: Yeah. PFM, did 12 you -- you said their fee is now down to 13 190? 14 MR. DiFUSCO: Correct. 15 CHAIRMAN SCOTT: What was it prior? 16 What was it at the last presentation? 17 MR. DiFUSCO: 220 after a reduction 18 in the beginning from 250. So, they have 19 come down from their initial presentation 20 or their initial proposal was 250 at their 21 presentations in September. They were at 22 220. I know there was some concern about 23 that, as well as the answer they gave 24 surrounding their fee. They have since</p>	<p style="text-align: right;">Page 8</p> <p>1 I'm not sure how from September to three 2 months later the recommendation goes from 3 7.5 percent to 15 percent especially with 4 the assumed rate being lowered to 7 5 percent. Why would the fund want to incur 6 additional risk when the risk profile is 7 being reduced by lowering the assumed rate 8 of return? 9 CHAIRMAN SCOTT: Yeah. 10 MR. BIELLI: I just wanted to point 11 that out before we heard from them. And 12 kind of keep that in mind, and maybe we can 13 ask them that question. That's -- and they 14 want to reduce fixed income, core fixed 15 income, by almost 50 percent. So from 30 16 percent down close to 15 percent. 17 So, it's big -- they're big 18 differences. Big shifts. Just to be sure 19 that that's what the Board wants. You 20 know, they are substantial shifts. 21 MR. WHITE: Do we know why they 22 modeled for 7.3 instead of 7 percent? 23 MR. DiFUSCO: I don't. So, I think 24 that's a little bit confusing, too, on that</p>
<p style="text-align: right;">Page 7</p> <p>1 dropped to 190. 2 CHAIRMAN SCOTT: Thank you. 3 MR. DiFUSCO: Sure. 4 MR. BIELLI: Chris, just -- did the 5 PFM previous presentation include the 6 possible tactical investment of up to 10 7 percent in private equity? Or is that a 8 new addition to the current presentation 9 from the previous one? 10 MR. DiFUSCO: That's a good 11 question. I will -- 12 MR. BIELLI: You don't have to 13 answer that now. 14 MR. DiFUSCO: I will pull it while 15 their -- NEPC and them are speaking and I 16 will confirm. Offhand, I don't recall. 17 To your point, though, the NEPC 18 15 percent column was not present in their 19 prior slides. We've gone back and viewed 20 those. 21 MR. BIELLI: I wanted to point out 22 for Donn and Kellan's benefit is that the 23 15 percent is -- is new. That did not 24 appear in the NEPC previous presentation.</p>	<p style="text-align: right;">Page 9</p> <p>1 page, Kellan. I think it's page 13. So, 2 they have -- the middle column talks about 3 getting us another 1.1 percent of return. 4 And then the far right column says 7.3. 5 Both firms were initially told there was a 6 strong possibility of moving to 7 percent, 7 and they should model for that. And then 8 later, probably right around the time the 9 presentations came out, I confirmed for 10 both PFM and NEPC's benefit starting next 11 fiscal year, it would be at 7. 12 So I did -- they did not -- they 13 did not indicate why in either presentation 14 guide there was still any references to 15 the -- to the higher assumed rate. 16 If there's no additional questions, 17 Fran, I will pull the other presentation. 18 But we can -- I think we can invite them 19 in, Bill, the first presenters. 20 MR. RUBIN: They are now admitted. 21 --(NEPC Presenters join Video)-- 22 MR. DiFUSCO: Good morning. 23 (Good morning.) 24 MR. DiFUSCO: I see we have</p>

3 (Pages 6 to 9)

Sinking Fund Commission - January Meeting
January 20, 2021

<p style="text-align: right;">Page 10</p> <p>1 Kristin, Kevin and Margaret in the room. 2 Thanks for joining us this morning. Your 3 presentation is up on the screen. And Bill 4 Rubin will flip through it at your 5 direction. 6 As discussed in the last 7 twenty-four hours, be prepared to keep your 8 remarks to twenty minutes with Q&A. The 9 Commissioners will, obviously, go longer if 10 they like. Your main audience: Donn 11 Scott, the Chair; Kellan White, the First 12 Deputy Controller; and Fran Bielli, the 13 Pension Board's Executive Director and the 14 Finance Department's designee to the Board. 15 You have other folks in the room -- 16 PGW, Controller staff, et cetera. I'll 17 turn the floor over to you. And Bill or 18 myself will try to give you a five-minute 19 warning when you are, you know, running up 20 against time. 21 MS. BELMONDO: Wonderful. Well, 22 thank you, Chris. Really appreciate that. 23 You can see me, correct? 24 MR. DiFUSCO: Yes.</p>	<p style="text-align: right;">Page 12</p> <p>1 consultant also on the public fund team. 2 Been at NEPC for over ten years. She's 3 located in Chicago. She came from Mercer 4 where she was principal. And she would be 5 your proposed backup. We would work very 6 closely together with this relationship if 7 we are fortunate enough to work with you. 8 And then lastly, Kevin Leonard, a 9 partner of the firm, he oversees our entire 10 public fund practice group. Been with NEPC 11 over thirteen years. And he came from 12 Segal. 13 So, you will notice that the three 14 of us came from different consulting firms. 15 So, I think NEPC does strive to be the 16 consultant of choice for clients, but also 17 for employees. And in fact, in 2020, we 18 made a lot of hires. And we hired five 19 really strong research analysts from other 20 consulting firms. So, I think that just 21 speaks to, you know, our culture and how we 22 treat our employees. 23 So the Agenda today, Kevin Leonard 24 is going to cover just really quickly a</p>
<p style="text-align: right;">Page 11</p> <p>1 MS. BELMONDO: Great. All right. 2 If you just flip to the first page, 3 I'm going to start with introductions here 4 first. I hope everybody had a great 5 holiday and Happy New Year to all. You 6 know, I know we have very limited time. 7 So, I'll be quick with my intros. 8 Again, I'm Margaret Belmondo, a 9 partner on the public fund team. I have 10 been at NEPC for four years now. I'm local 11 to you, so I'm here in Bryn Mawr. And so, 12 a very easy train ride to you. I had 13 actually worked at PFM prior to NEPC. It 14 was a great firm, but I hope you hear today 15 how we differentiate ourselves from our 16 competition. 17 I would be your proposed lead 18 consultant. And what that means is, I 19 would be your day-to-day person. You would 20 see me in person, whenever that is, at 21 every meeting. We like to put two 22 consultants on -- at least two consultants 23 on every relationship. And so, with me is 24 Kristin Finney-Cooke. She is a senior</p>	<p style="text-align: right;">Page 13</p> <p>1 couple minutes on the firm. You should 2 have a lot of that information already in 3 the RFP. Kristin Finney-Cooke is going to 4 talk through some of our diversity and 5 equity inclusion efforts that we made at 6 NEPC. And I will walk through the 7 portfolio, some initial thoughts that we 8 have on hitting that actuarial assumption, 9 which is always a big question. 10 So, Kevin, I will turn it over to 11 you. 12 MR. LEONARD: Great. Thank you, 13 Margaret. And good morning, all. We 14 appreciate the opportunity to present 15 today. 16 So here on page 4, just a brief 17 overview of who is NEPC. I think the key 18 takeaway is that NEPC is an independently, 19 privately owned investment consulting firm. 20 All that we do is investment consulting. 21 We don't manage money. We don't have our 22 own products. We are not a broker-dealer. 23 We 100 percent focus on our clients and 24 investment consulting.</p>

4 (Pages 10 to 13)

Sinking Fund Commission - January Meeting
January 20, 2021

<p style="text-align: right;">Page 14</p> <p>1 Today we are just over 1.2 trillion 2 in assets under advisement. We have over 3 320 employees spread across eight regional 4 offices, headquartered in Boston. As I 5 said, we are privately held. Today we have 6 47 partners. Margaret is one of our new 7 three partners, was just elected to the 8 firm. I think the key takeaway from our 9 partnership is your true equity owner. So, 10 you get a base, a bonus and you are given 11 shares into the firm on an annual basis. 12 You are not buying back in. It's true 13 equity ownership. 14 A hundred percent of our revenue 15 comes from advisory and discretionary 16 investment consulting services. And on the 17 right side of this page, you can see by 18 design, we are very diverse organization. 19 Although public funds, you can see, we have 20 70 public fund clients which account for 55 21 percent of the assets of the organization. 22 If I can ask you to turn to page 5. 23 You can see, we have a dedicated team of 37 24 professionals on the public fund team, so</p>	<p style="text-align: right;">Page 16</p> <p>1 investment consulting firms in the 2 business. But the way we have organized 3 our firm is we have organized it to have 4 small boutique teams focusing on clients. 5 As Margaret mentioned, the three of us sit 6 on the public fund team. 7 So what do you get from NEPC? You 8 are going to get that small consulting feel 9 from the team, the client servicing, the 10 attention, the dedication, and then the 11 support of a very large dedicated research 12 team. 13 Our research team is a hundred 14 percent focused on research. The 15 consulting team is a hundred percent 16 focused on working with our consultants. 17 Now with that said, if we have the 18 fortunate ability to work with you all, 19 your staff will have access to our senior 20 researchers. So, we do bring them into the 21 relationship. 22 But we want you to know at NEPC, 23 research is a career path. So Margaret and 24 I and Kristin, yes, we do some research,</p>
<p style="text-align: right;">Page 15</p> <p>1 focusing a hundred percent on the public 2 funds. We have been working with public 3 funds since the firm inception in 1986. I 4 mentioned over 55 percent of the firm's 5 assets is public funds. So, it's really 6 who we are as an organization. 7 There are a lot of consulting firms 8 over the last several years that have made 9 a choice to get out of public funds. We 10 are not. We have no plans. We want to 11 continue to grow that as on overall piece 12 of who we are. We have 70 clients on our 13 team with over 630 billion in assets. And 14 you will see on the right side, just a 15 representative public fund list. We work 16 with very large state plans down to small 17 municipalities. 18 And then maybe finally on page 6, 19 you know, if you think about NEPC -- when I 20 started at NEPC in a final's presentation 21 like this, I would talk about a small 22 boutique organization. Today I certainly 23 can't say that 1.3 trillion is a small 24 organization. We are one of the largest</p>	<p style="text-align: right;">Page 17</p> <p>1 but we have dedicated people that are just 2 focused on that. Also, our size allows us 3 to negotiate very favorable fees on behalf 4 of your client. So you know, I think 5 that's something you should expect from 6 your consulting firm to be working on your 7 behalf to get not only the best investment 8 managers but also at the lowest fees. 9 So with that, I will stop and pause 10 and see if there are any questions on 11 anything I might have mentioned. 12 MR. BIELLI: Kevin, it's Fran. 13 How are you doing? 14 MR. LEONARD: I'm doing great, 15 thanks. How are you? 16 MR. BIELLI: Good, good, thanks. 17 Just quickly. You mentioned NEPC 18 is not getting out of serving as consultant 19 for public pension funds, but that other 20 firms are. 21 Why is that? I mean, why is that 22 occurring? Why is that trend happening; do 23 you think? 24 MR. LEONARD: I think a couple of</p>

5 (Pages 14 to 17)

Sinking Fund Commission - January Meeting
January 20, 2021

<p style="text-align: right;">Page 18</p> <p>1 things. Public funds have become 2 litigious. That's not meant to be a wide 3 brush. There have been examples and there 4 have been firms that have decided it's 5 become litigious. In the servicing model 6 in the public fund world, you have to be 7 willing to have a very broad servicing 8 model where you have the dedicated research 9 people and being able to put senior, 10 well-rounded individuals in front of public 11 found clients. And some consulting firms, 12 are not scaled that way. We are. 13 MR. BIELLI: Okay. And does the 14 increase in OCIO models have anything to do 15 with that? 16 MR. LEONARD: I don't think so. I 17 think there is firms that certainly are not 18 going to have that capability. And if you 19 don't have that capability, that would make 20 it harder to grow your business. 21 As a head of the public fund team, 22 I don't see OCIO wiping out the 23 non-discretionary model in public funds. I 24 think in the endowment world and the</p>	<p style="text-align: right;">Page 20</p> <p>1 the top of the pinnacle as it relates to 2 ensuring that we are leading by example. 3 And so, what you can see -- and I 4 will just spend a moment here. We have 5 had, as Kevin mentioned, a few additional 6 partners that have been brought into the 7 partnership. So, we now have about 30 8 percent of women that are in the 9 partnership, which is we feel a goal that 10 we had had. We really signed an agreement 11 with the Girl Scouts of America to do that 12 by 2025. And we are ahead of our goal, so 13 we are very excited about that. 14 You also see that this is gone 15 through to our management group, as well. 16 And then, we have two executives on our -- 17 which are also partners on our executive 18 committee. So again, really focused on 19 ensuring that we have different 20 perspectives, different backgrounds and 21 different thoughts sitting at the table 22 from the top down -- top up or top down, 23 however you want to look at it, to ensure 24 we are guiding our organization in a manner</p>
<p style="text-align: right;">Page 19</p> <p>1 corporate world, we are seeing much more 2 traction. In the public fund world, maybe 3 on the smaller fund size. But I don't see 4 OCIO being a big piece of public defined 5 benefit plans. But some firms might not 6 have that capability. 7 MR. BIELLI: Thanks. 8 MR. LEONARD: You're welcome. 9 MS. BELMONDO: Okay. We will turn 10 it over to Kristin. If you want to turn to 11 the following page on Diversity and 12 Inclusion. 13 Kristin, are you there? 14 MS. FINNEY-COOKE: Yes. Can you 15 all hear me? 16 MS. BELMONDO: Yes. 17 MS. FINNEY-COOKE: Perfect. 18 Good morning. Appreciate being 19 here. So, I want to just talk a little bit 20 about our diversity and inclusion focus 21 that we have at NEPC. We really are trying 22 to have a holistic approach. And that 23 really spans a number of areas within our 24 organization. But again, leadership is at</p>	<p style="text-align: right;">Page 21</p> <p>1 that would be very inclusive on 2 opportunities for all types of individuals. 3 If you can turn to the next page, 4 page 9, I want to just talk about how we 5 are doing that. So, we have a group called 6 the Diversity and Inclusion Advisory 7 Committee or a board, as you see, sitting 8 there in the middle in the green. 9 Essentially, there are a lot of tentacles 10 that go from that. On the bottom here, you 11 can see that you have the diversity, racial 12 and ethnic cultural diversity component, 13 the gender diversity and then investment 14 manager, which we call the Diversity 15 Management Committee. 16 And so, those three prongs are 17 really how we attack three components when 18 we are thinking about a holistic approach. 19 That's going to be the workplace, the 20 workforce as well as the marketplace. 21 So, the marketplace is going to be 22 external facing. That's what the D&C as 23 relates to the relationship we have with 24 the industry, with investment managers and</p>

6 (Pages 18 to 21)

Sinking Fund Commission - January Meeting
January 20, 2021

<p style="text-align: right;">Page 22</p> <p>1 how we gain access or grant them access to 2 our -- to our process and to our clients. 3 And then, the workforce and workplace are 4 incredibly important because that is where 5 we do continuing education. We are making 6 sure that we are hiring people that are 7 reflective of the community in which we 8 serve as well as ensuring that we are 9 addressing any sort of unconscious biases. 10 So again, a holistic approach to 11 ensure that we are dealing both with the 12 inside of our firm as well as the external 13 relationships that we have. And as you can 14 see from this slide, there are a lot of 15 tentacles. 16 I will just touch very briefly, 17 because on the next slide, which really 18 just talks about the work that our 19 diversity manager group is doing. And 20 again, just to high level that or top line 21 that, we really are focused on making sure 22 we have additional transparency, additional 23 responsiveness to managers, looking at 24 ensuring we are meeting with more managers</p>	<p style="text-align: right;">Page 24</p> <p>1 we are going to see some implications to 2 try and hit that goal. I know Chris has 3 told me you have been having discussions 4 about reducing that to 7 percent. So, we 5 will talk through some of that, as well. 6 You know, we do see that your cash 7 flow has been consistently negative now 8 since 2013. And that trend looks like it 9 will continue before it starts to improve 10 again. So, we are going to talk through 11 maybe some strategies that can help fulfill 12 some of that gap. 13 So if you jump to page 13, I am 14 going to spend probably a bigger portion of 15 my time here. So, we took a look at your 16 portfolio. And what we did here was we 17 modeled the expected return and risk 18 profile of your current allocation. But 19 before I go through the numbers here, what 20 the means -- what does that mean when I say 21 "modeling"? 22 So in the appendix, and you can 23 look through that at your time. But we -- 24 our research has 58 people that are working</p>
<p style="text-align: right;">Page 23</p> <p>1 so that we have a broader footprint with 2 diverse managers and the value that they 3 bring to our clients as well as increasing 4 the number of our targeted managers that 5 are on our focus placement list. And so 6 that's -- those are some high level goals 7 that are diverse manager committee is 8 working on. 9 Unless there are any questions, I 10 will leave it here. 11 MS. BELMONDO: Are there any 12 questions from anybody before I move on? 13 No? Okay, great. Thank you for jumping to 14 page 12. 15 So you know, we took a look at your 16 portfolio. We did see since the last time 17 we spoke, your funded ratio did increase 18 from 73 percent to about 75 percent. So, 19 congrats. Those small improvements over 20 time are showing that you are headed 21 towards the direction of being around 22 80 percent funded, but more closer to, you 23 know, in 2030. 24 With the 7.3 actuarial assumption,</p>	<p style="text-align: right;">Page 25</p> <p>1 on really building out asset class 2 assumptions. And we have them for 70 3 different asset classes. And we use 4 evaluation model. It's built -- it's based 5 off of building block approach. And these 6 models reflect current and forecasted 7 market data to help us project over the 8 next ten years, and then over the next 30 9 years what to expect from a return and risk 10 perspective. 11 So, the ten-year number is a really 12 strategic number. Whereas, the thirty-year 13 number is more of actuarial inputs and sort 14 of long term planning. So when you look at 15 the current allocation column here, you 16 will notice that I have modeled out what 17 your current allocation is even though your 18 target is 65/35 mix today between equities 19 and bonds. I have looked at your flash 20 reports month over month. And it does look 21 like you have a bit of an overweight in 22 equities, and that's fine. 23 So just wanted to say, if you stay 24 the course today in your current portfolio,</p>

7 (Pages 22 to 25)

Sinking Fund Commission - January Meeting
January 20, 2021

<p style="text-align: right;">Page 26</p> <p>1 what would we expect out of the portfolio 2 using our assumptions? And you can see the 3 expected return on the bottom of the dark 4 blue bottom there. It says ten years of 5 4.9 percent. And then on -- for the 6 thirty-year perspective, 5.7 percent. 7 Now you know, obviously, that's not 8 hitting your 7.3. It's not hitting the 9 7 percent. And one thing to consider is 10 that we don't incorporate active alpha. 11 So, this is from a beta perspective. 12 Meaning, if you were just invested in 13 indexes across the board passively, this is 14 what to expect. We would hope that some of 15 the active management would add on some of 16 that return. But we would say anywhere 17 from 20 to 50 basis points. So even if you 18 tack on another 20 to 50 basis points, you 19 are still not hitting that return. 20 Now from a sample mix in the middle 21 column here, here is where we added in some 22 alternative. We saw that you added 7 and a 23 half percent alternatives, which we think 24 is great. You need to look outside other</p>	<p style="text-align: right;">Page 28</p> <p>1 assigned to really core bonds. We 2 disaggregated or separated the safe haven 3 assets to the diversified credit. The 4 diversified credit is the return seeking 5 component. 6 And why did we do this? So when 7 you think about core bonds, and you have a 8 lot of core bonds in your portfolio today, 9 those core bonds include investment grade 10 credit. They include CMBS, RMBS, all 11 different types of credit that in times of 12 market stress, those actually sell off just 13 like equities do. So, we separate safe 14 haven to return seeking. 15 The safe haven, which is that 16 13 percent -- again, we would want to size 17 that with you. That's not set in stone. 18 But that really is the goal to provide 19 liquidity and safety. You know, and 20 whereas, the return seeking component or 21 diversified credit is the income and the 22 yield, right? So, we would talk through 23 how we would build out those two portfolios 24 or those two separate sleeves. But we</p>
<p style="text-align: right;">Page 27</p> <p>1 traditional markets to really find some 2 return. So, we added -- again, this is 3 just, you know, an initial shot at it. We 4 added about 5 percent to private equity and 5 2 and a half percent to private credit. 6 That would be your 7 and a half to 7 alternatives. 8 You see we added -- we increased 9 the equities to 70 percent. So you know, 10 we -- even though equity markets have done 11 really well to date, the equity risk 12 premium or the difference between what we 13 are expecting out of equities and treasury 14 bonds is pretty wide right now. As you 15 know, interest rates are so low. You are 16 not getting much out of the traditional 17 fixed income market. So, we still find it 18 attractive to be in equities relative to 19 fixed. So, you can see an increase there 20 in equities overall. 21 Within fixed income here, you will 22 notice we have a little bit of a different 23 type of allocation than your current mix. 24 You will notice, we don't have anything</p>	<p style="text-align: right;">Page 29</p> <p>1 think it's important to separate them, to 2 align them with their goals. And it's 3 clear as to how they are going to perform 4 and it's easier to benchmark. 5 You will also notice this addition 6 to private credit. Now we would be -- this 7 is a liquid just like private equity is a 8 liquid. However, you know, private credit 9 actually offers, you know, income. And 10 there is a way -- you know, these are 11 private loans where you are getting that 12 fixed interest rates back to you 13 frequently. So, this is a way to help fund 14 that cash flow gap. So, that's something 15 that we would want to talk to you about. 16 So when you look at the results 17 here, you do see an increase of expected 18 return over ten years at 6 percent, and 19 expected return over thirty years at 6.7. 20 It does increase the risk, right, so you 21 can see that in the standard deviation. 22 But from a sharp or risk adjusted return, 23 it is higher. So, you are getting more 24 return for the level of risk that you are</p>

8 (Pages 26 to 29)

Sinking Fund Commission - January Meeting
January 20, 2021

<p style="text-align: right;">Page 30</p> <p>1 taking in this type of strategy. 2 Now, I modeled here -- if you 3 needed to hit -- you wanted to see that 4 7.3 percent expected return over three 5 years, what would you have to do? This is 6 not a recommendation. I'm just pointing 7 out what would need -- what would be 8 needed. And I think it goes to show that 9 you are doing the right thing by reducing 10 your assumption from 7.3 to 7. You can see 11 we've added a lot of private equity, about 12 15 percent private equity, you know, 13 increasing private credit, adding some real 14 estate. Which we could add some real 15 estate currently, but this is really upping 16 your private markets to really get that 17 return. 18 So you know, again, these aren't 19 recommendations we are making today. It's 20 just really to point out what to expect 21 from a modeling perspective, what we are 22 thinking about with your portfolio. But a 23 lot of work that would still need to be 24 done to kind of walk through this.</p>	<p style="text-align: right;">Page 32</p> <p>1 I think what we talked about last time is 2 this doesn't incorporate any alpha 3 potential, as well. So hitting -- if you 4 wanted to add a 7 and a half -- if you 5 wanted to hit a 7 and a half percent, we 6 would say the 6.7 is actually a good number 7 if you wanted to get to that 7.3 eventually 8 because you want to add some of that alpha 9 potential from the active component. And 10 the active component can come from 11 traditional. It can also come from 12 private -- from the private markets. 13 So I would say that, you know, this 14 15 percent wouldn't be sort of a 15 recommendation. It's more of, you know, 16 where you have to look in order to get some 17 of that additional return. 18 And the other thing is, our 19 expectations have come down since the last 20 time we spoke. So, the markets have been 21 doing so well. And we -- I mention these 22 assumptions that we come up with. We come 23 up with them on a quarterly basis. So, our 24 assumptions are now through 12/31. And</p>
<p style="text-align: right;">Page 31</p> <p>1 So, I am going to stop there. I 2 just said a lot. And I want to see if 3 there is any questions on what I just 4 presented? 5 MR. BIELLI: Margaret, I have a 6 question. It's Fran. 7 In the September presentation, I 8 believe on Slide 12 in the September 9 presentation, you said that 7.5 percent was 10 fine as the goal for private equity. And 11 that we should start the pacing to get to 12 that point gradually. 13 Aside from the -- and again, this 14 15 percent private equity that you are 15 pointing out, is based on the 7.3 percent 16 assumed rate of return. I assume for 17 7 percent, maybe 15 becomes 13 or 12. I 18 don't know, whatever. 19 But what happened between September 20 and now to double the percentage of private 21 equity recommendation? 22 MS. BELMONDO: No. Oh, okay. 23 I would say we -- this is really 24 just to show if you wanted to hit that 7.3.</p>	<p style="text-align: right;">Page 33</p> <p>1 even through 12/31, they have come down 2 even further. 3 So, it's actually even harder now 4 to even -- to hit those returns. We 5 wouldn't say to rerun an asset allocation 6 every quarter either because we think it's 7 more important to do that on an annual 8 basis, think strategically sort of longer 9 term. 10 But yeah, the assumptions have come 11 down. But we would say, you know, we can 12 look anywhere in between here, whether it's 13 5 percent private equity or 7 percent. We 14 would want to run a liquidity study. So, 15 what does that mean if you are going to 16 type up all those assets? There are a lot 17 of different tools we would run with you to 18 ensure you feel comfortable with that. 19 MR. BIELLI: For the credit, 20 whether it's diversified credit or private 21 credit, do any of those constitute 22 distressed debt vehicles such as KKR? 23 Apollo? Avenue? 24 MS. BELMONDO: Yeah, yeah. Yeah,</p>

9 (Pages 30 to 33)

Sinking Fund Commission - January Meeting
January 20, 2021

<p style="text-align: right;">Page 34</p> <p>1 you know your names. That's great. Yeah. 2 So, that would actually fall -- 3 MR. BIELLI: That's not necessarily 4 a good thing, by the way. 5 MS. BELMONDO: That would fall 6 under the private credit component. So, 7 the way we would build out a private 8 credit, we would start with direct lending 9 first. 10 We think it's important to start 11 more -- the direct lending is sort of the 12 core component that we would build first. 13 It is not going to hit the ball out of the 14 park like the KKR's and the distressed 15 credit. That adds a little bit of more 16 volatility. Those are more niched 17 strategies. But over time, I would say 18 maybe a year or two, we would start 19 building out and adding on those niche 20 strategies. 21 It would be those names. We have 22 looked at those names. And we underwrite 23 these names. We provide full lengthy due 24 diligence write up on the names to ensure</p>	<p style="text-align: right;">Page 36</p> <p>1 MS. BELMONDO: Yeah. That's really 2 important. I am glad you brought that up. 3 Number one, this risk safe haven 4 component within fixed income, that would 5 actually all be passive. So, we would 6 recommend this would be sort of a treasury, 7 TIPS. You can capture that from a beta 8 perspective. So, you are actually lowering 9 your fees within some of the fixed income 10 component. 11 And then other areas -- so, here is 12 what we do from an active and passive. And 13 if you don't mind jumping to page 17, 14 because I think this shows just a nice 15 picture of what we do when it comes to, 16 should we apply active management in these 17 different asset classes. We do a two-test 18 sort of approach. 19 We want to apply active management 20 in asset classes that, number, one there is 21 a big spread between best and worst 22 managers. And you can see that on the 23 bottom right. So, is there a big spread 24 between those best and worst? If there</p>
<p style="text-align: right;">Page 35</p> <p>1 you understand that the risks that you are 2 getting into, into these types of funds. 3 But yes, that would fall in that private 4 credit component. 5 MR. BIELLI: But that's not an 6 initial category that you would be looking 7 at or recommending? 8 MS. BELMONDO: Correct. 9 MR. BIELLI: That's fine. 10 MS. BELMONDO: Yeah. 11 MR. BIELLI: That's fine. All 12 right. I will just tell you that I think 13 in the City overall, our experience in 14 those vehicles has not been a positive one. 15 That's why I asked that question. 16 MS. BELMONDO: Okay. 17 MR. BIELLI: The -- one other 18 thing. You mentioned somewhere in here, I 19 am not sure it's here on this page or 20 another page I read, the recommendation of 21 looking at moving more to active from 22 passive. 23 Would -- would that -- what -- 24 would that do to our fees? I guess the --</p>	<p style="text-align: right;">Page 37</p> <p>1 are, then that's green. That's a go. And 2 then if the median manager outperforms the 3 index net of fees, then that's the second 4 test. It would be green. 5 So on the top right you will see, 6 US large cap, it fails on both ends. So, 7 you have PineBridge in your large cap. 8 That would be an area where we would say, 9 you can go to passive and save fees. 10 Mid cap, you know, it passes one. 11 It fails the other. You can go -- you can 12 go active, but you might as well save on 13 some fees. 14 Where we would say you want -- you 15 do want to be active because there is alpha 16 potential above and beyond the fees would 17 be in small cap, emerging markets, small 18 cap, maybe some global equity. So, you can 19 see where those tests fall. 20 And the idea here is to get you the 21 best return, right, net of fees. So in 22 some capacity, your fees could come down. 23 In other capacities, your fees could 24 actually increase, especially in private</p>

Sinking Fund Commission - January Meeting
January 20, 2021

<p style="text-align: right;">Page 38</p> <p>1 markets. If we are adding 7 and a half 2 percent to private markets, over time those 3 fees are going to go up. But we can keep a 4 close eye, make sure it's fully transparent 5 as to what these fees are. And you feel 6 comfortable moving forward. If -- if these 7 fees are too much, we can always adjust. 8 But again, the idea here is to get 9 you the most return for the fees that you 10 are paying. 11 MR. BIELLI: And I have just one 12 final question concerning your asset 13 allocation recommendation. 14 One of the slides -- and I don't 15 remember what page it was -- you put red, 16 yellow or green dots next to. 17 MS. BELMONDO: That's 14. 18 MR. BIELLI: And I don't know, 19 Bill, if you can go to 14. 20 Is Copeland in there? 21 MS. BELMONDO: Copeland is in 22 there, yeah. 23 MR. BIELLI: You have them as a 24 green light. I'm looking at our flash</p>	<p style="text-align: right;">Page 40</p> <p>1 dividends. So as you know or may have heard 2 hopefully from PFM, that the spread between 3 growth and value has been huge. And value 4 is actually an attractive entry point now. 5 We are not going to say it's going to 6 revert to the mean tomorrow. It could 7 happen in a month or a year. But we -- at 8 this point, it would be appropriate to keep 9 Copeland, complement them possibly with 10 maybe a growth manager and just continue to 11 watch them. 12 But I understand. I think the 13 benchmark, too, is tough because the 14 Russell 2000 has a lot of growth in there. 15 So, maybe adding another benchmark to them 16 like a Russell 2000 value, would be more 17 appropriate. 18 MR. BIELLI: A better indication of 19 what their true performance -- benchmark 20 performance is. Okay. 21 MS. BELMONDO: Exactly. 22 MR. BIELLI: Thank you. 23 MR. LEONARD: So, Margaret, just on 24 a time check, I think we are probably well</p>
<p style="text-align: right;">Page 39</p> <p>1 report which you said you reviewed. And I 2 notice that they're trailing the Russell 3 2000 index pretty much across the board, at 4 least according to the flash report. 5 So, would that be an example of 6 where -- why do you have a green light next 7 to them? 8 MS. BELMONDO: Yeah, yeah. That's 9 a great, great question. You are looking 10 at the right things on the flash, and I 11 appreciate that. 12 Copeland is a dividend-focused 13 strategy, and they are very value tilted. 14 So, we actually have them as a one-rated 15 strategy on our platform. And what the 16 means is, it's -- one rated mean it's one 17 of our higher conviction names. 18 So we -- you know, Copeland would 19 be best complemented with a gross manager. 20 So looking at the structure of your 21 portfolio, we would want to revisit the 22 manager pairings. But Cope -- looking at 23 Copeland as a silo, they are very value 24 focused because they are focused on</p>	<p style="text-align: right;">Page 41</p> <p>1 past our 20 minutes. So, maybe we can ask 2 if there is any other direction you would 3 like us to go to or conclude or keep going. 4 MR. RUBIN: It is time, so you can 5 wrap. 6 MS. BELMONDO: Sure. Yeah. 7 Look, I would say, you know, we 8 would love for you to join our NEPC client 9 team. I, personally, being local would 10 love to work with you here in Philly. So, 11 I think our fees are listed in the back of 12 the book. 13 So you know, if there is any other 14 questions, if you want us to review 15 anything else beyond this, we are happy to 16 do that on this call or separate call. But 17 we would very much look forward to working 18 with you. 19 MR. DiFUSCO: Hearing no other 20 questions, Margaret, Kristin, Kevin, thanks 21 for presenting again. Thanks for your time 22 again this morning. And you know, I will 23 be in touch probably later today just 24 letting you know what -- you know, what</p>

Sinking Fund Commission - January Meeting
January 20, 2021

Page 42	Page 44
<p>1 step or where the Commission is at in their 2 deliberations and process or if they have 3 made a decision. 4 So, enjoy the rest of your week. 5 And thanks for your time this morning. 6 MS. BELMONDO: Thanks. 7 MR. LEONARD: Great. Thanks, 8 everyone. 9 MS. FINNEY-COOKE: Have a good one. 10 CHAIRMAN SCOTT: Thank you. 11 - - - 12 (NEPC Presenters exit video stream.) 13 - - - 14 MR. BIELLI: Only because I was not 15 at the first presentation, that's why I had 16 those questions. Not trying to dominate 17 the question. I was not at the first 18 presentation, so. 19 MR. DiFUSCO: Just quickly, Fran, 20 to answer your question and so Kellan and 21 Donn are aware -- I went back through the 22 initial -- excuse me, PFM presentation from 23 September. And I did not see a reference 24 anywhere to 10 percent private equity in</p>	<p>1 you can jump in -- jump into your comments. 2 MR. AMMATURO: Thank you, Chris. 3 Can everyone hear me? This is Marc 4 Ammaturo with PFM. 5 MR. DiFUSCO: Yup, good morning. 6 MR. AMMATURO: Good morning. 7 Okay. In the essence of time, we 8 will jump right in. If you want to flip 9 ahead to the Agenda -- no, to the Agenda, 10 please. Thank you. 11 So yeah, thank you for this 12 opportunity to present. We are excited to 13 be considered to be retained here at PGW. 14 Chris did reach out to us and asked us to 15 address the following three items. 16 One, as you see on your slide here 17 is fees, which I will hit upon in a second. 18 Two is asset allocation modeling. More 19 specifically, if the discount rate was 20 reduced to 7 percent, what impact, if any, 21 would that have on PFM's recommended asset 22 allocation mix. And lastly, Chris asked us 23 to address our commitment to diversity, 24 equity and inclusion.</p>
Page 43	Page 45
<p>1 their slides. So, if there is no other 2 questions about NEPC, Bill, I think you can 3 let Marc and Surya and Alex in from PFM. 4 MR. RUBIN: Sure. 5 - - - 6 (PFM presenters enter Video Stream) 7 - - - 8 MR. DiFUSCO: Morning, Marc, Surya, 9 Alex. Thanks for -- thanks for joining us 10 this morning. I think you are familiar 11 with the Commissioners that are alternates. 12 But just so you know, the folks you have in 13 the room today on the Board are Donn Scott, 14 the Chair; Kellan White, the Controller's 15 First Deputy; and Fran Bielli, who sits on 16 behalf of the Finance Director. 17 As we discussed or I discussed with 18 Alex, you have roughly 20 minutes, give or 19 take, with Q&A. I know you will have some 20 questions from some of the members along 21 the way. And Bill or myself will try to 22 give you a, you know, time check when you 23 are running up against it. 24 So, whenever you're ready to start,</p>	<p>1 So again, in the next 20 minutes, 2 those are the three items we are going to 3 hit upon. If you want to move ahead, 4 please, Bill. 5 For Fran's benefit -- and welcome, 6 Fran, and congratulations on the new 7 governance role. For Fran's benefit, I 8 think just take one minute to introduce 9 ourselves and let Fran know our role at PFM 10 and our role, more importantly, at PGW. 11 So, my name is Marc Ammaturo. I've 12 been at PFM for sixteen years. I'm a 13 managing director at the firm. In addition 14 to my management responsibilities, I'm a 15 member of our investment committee, which 16 is the committee that makes decisions on 17 how to invest our clients' assets. I, 18 also, spend a good bit of time servicing 19 clients here in the Commonwealth. 20 So with that, I will hand it over 21 to Alex to introduce himself briefly, 22 please. 23 MR. GOLDSMITH: Yup. Thanks, Marc. 24 First of all, I apologize. I don't think</p>

Sinking Fund Commission - January Meeting
January 20, 2021

<p style="text-align: right;">Page 46</p> <p>1 my camera is working, so you're not able to 2 see me today. But I'm Alex Goldsmith. I 3 have served the plan since 2016. I have 4 been with PFM nine years and three days as 5 of today. And I cover -- I handle a lot of 6 the day-to-day interaction with staff, you 7 know, the Commission, the managers related 8 to this plan. And I, also, exclusively 9 serve governmental plans in Pennsylvania 10 for the remainder of my other clients. 11 Thank you. Surya? 12 MS. PISAPATI: Morning, everyone. 13 I'm Surya Pisapati. I sit on the research 14 team overseeing manager research efforts 15 across global equity. I, also, sit on our 16 investment committee alongside Marc. So as 17 an investment committee member, I work with 18 our clients building any custom portfolios 19 that they need. And I, also, work with our 20 chief model asset class strategist on that 21 leadership. 22 MR. AMMATURO: Thank you, Alex and 23 Surya. You can flip ahead, Bill, please. 24 Thank you. So, this is the first</p>	<p style="text-align: right;">Page 48</p> <p>1 The other reason is, we walked 2 through and went through a procurement 3 process with PGW on the OPEB side. And 4 PGW/OPEB, we were not selected. The 5 incumbent was retained. We did take the 6 time to have a debrief call with staff at 7 PGW. And one of their feedback item was 8 our fee being a little high relative to the 9 competition. We took that as a lesson 10 learned and applied that here at PGW 11 Pension. 12 We did not have the opportunity to 13 interview, so we were not able to negotiate 14 our fee off what we proposed at PGW/OPEB. 15 Here, as the incumbent -- again, 16 thankful -- we have the opportunity to 17 interview and to reduce our fee to 190. At 18 190,000, if there is still discussion to be 19 had, and we are happy to discuss offline to 20 get to a happy medium between what's 21 sufficient from a PFM perspective and, you 22 know, what's again sufficient from a PGW 23 perspective. 24 So again, we would like fees not to</p>
<p style="text-align: right;">Page 47</p> <p>1 of the three items that I mentioned 2 already. So, the first item Chris asked us 3 to address was fees. And you should see 4 this now on your screen. 5 Our proposal is \$190,000. You 6 might notice that that's a further 7 reduction from what we discussed when we 8 got together at the end of 2020. At the 9 end of 2020, our proposal was 220,000, 10 which was reduction from what we included 11 in our RFP response. And now we are doing 12 a further reduction to 190,000. 13 You might be asking yourselves, 14 what's the rational behind the reduction. 15 And two thoughts come immediately to mind. 16 One is, you know, living through this 17 social distancing recession, we are all 18 aware of the financial and economic impact 19 that this recession is having on entities 20 across the globe and here in the United 21 States and directly impacting utilities 22 such as PGW. So, we are sensitive to the 23 financial impact of this, again, pandemic 24 that we are living through.</p>	<p style="text-align: right;">Page 49</p> <p>1 be the driving force behind the 2 potential -- behind the decision here. And 3 we are willing to negotiate further if 4 needed. For instance, if there is a 5 step-up approach that's recommended by PGW 6 to get up to 190,000. Again, we are 7 willing to have those conversations. 8 And just so you know how we arrive 9 at that figure, if you look at the market 10 value of your portfolio when PFM got hired, 11 it was about \$480 million. Our fee, as you 12 know today, is \$155,000. So if you take 13 155,000 on 480 million, you get at about 14 three basis points. 15 Today your portfolio is about 16 610 million. And if you look at 190,000 on 17 top of 610 million, it's also three basis. 18 So again on a basis point basis, the fee 19 has remained static since PFM has been on 20 board here. So, I just wanted to make 21 these comments in terms of the fee proposal 22 and just add some more clarity behind it. 23 So, we can -- we can move ahead. 24 And with that, I will hand it over to Alex</p>

Sinking Fund Commission - January Meeting
January 20, 2021

<p style="text-align: right;">Page 50</p> <p>1 to go through the second item, which again 2 is asset allocation modeling. 3 MR. GOLDSMITH: Thanks, Marc. 4 It does sound like you can see me. 5 I am getting some texts from Surya. I 6 might be a little close. And so for that, 7 I really apologize. 8 Anyhow, you want to flip ahead Bill 9 to Slide 7. So, we were asked, you know, 10 to consider what would we do differently 11 with the asset allocation of the plan if 12 the discount rate were lowered to 7.0 13 percent in the current 7.3. In the 14 interim, we learned that that rate was 15 formally lowered, and it will take effect 16 this summer when the fiscal year turns 17 over. So, commend you on making that 18 decision. It will certainly make things -- 19 give the plan some breathing room. 20 But you know, we did want to take a 21 look at this from a modeling standpoint. 22 We, you know, consulted with the investment 23 committee, you know, as a team. And you 24 know, ultimately, given some changes we</p>	<p style="text-align: right;">Page 52</p> <p>1 and -- and maintain that as the capital is 2 returned. 3 You know, another element is 4 emphasizing private debt and 5 non-traditional fixed income investments, 6 particularly in this period where we are 7 now. You know, the Fed has cut rates. 8 It's expects the rates will be kept low for 9 several years. And you know, all 10 indications of a new administration won't 11 be changing that any time soon. 12 You know, in the vein of 13 emphasizing private debt at a steady pace, 14 you know, the current portfol -- the 15 current investment policy statement allows 16 for up to 10 percent of alternatives. The 17 target is 7 and a half. The allowable 18 amount is 0, where we are now, up to 19 10 percent. And in an environment where, 20 again, you know traditional core bonds are 21 challenged, you know, an overcommitment may 22 be warranted. 23 And as I mentioned a second ago, 24 these alternative funds will kickback cash.</p>
<p style="text-align: right;">Page 51</p> <p>1 will talk about in a second, primarily the 2 outlook for bond returns going forward in 3 the future. We expect, you know, that is 4 not going to be challenged. And we 5 ultimately recommend maintaining the 6 current strategic allocation that you have 7 in the investment policy statement now of 8 60 percent equity, 32 and a half percent 9 fixed income and 7 and a half percent to 10 alternatives. 11 Now that's not to say we recommend 12 doing nothing. You know, we've obviously 13 advocated for, you know, tactical 14 management decisions over the course of the 15 relationship here. And we, certainly, 16 would have to advocate for those. Some of 17 the themes -- what we've talked about in 18 the past around the additional alternative. 19 As they are added to the portfolio, 20 we advocate for a, you know, measured pace 21 of commitments and a steady pace. You 22 know, making consistent commitments on a 23 regular schedule will help the plan get up 24 to target or exceed or slightly below</p>	<p style="text-align: right;">Page 53</p> <p>1 Private debt strategies do so at a 2 particularly higher rate. So, you may need 3 to, you know, have a increased funding 4 schedule to get to or exceed your target. 5 And then lastly, you know, again as 6 we have always done, we will continue to 7 tactically recommend over and under weights 8 to all asset classes: Alternatives, 9 equities, traditional fixed income, you 10 know, high yield and investment rate bonds 11 to take advantage of disconnects in the 12 market and areas where valuation might -- 13 valuation might benefit the plan going 14 forward. 15 So with that in mind, I did mention 16 core bonds. On the next page you can are 17 capital market assumptions. Bill, you go 18 and flip ahead. 19 And where the green arrow, that's 20 pointing really to our core bond 21 assumption, which is 3.8 percent, you know, 22 annualized over the next thirty years. 23 That's come down pretty significantly where 24 our CMAs were last year.</p>

Sinking Fund Commission - January Meeting
January 20, 2021

<p style="text-align: right;">Page 54</p> <p>1 Surya, I don't know if you want to 2 elaborate on that -- 3 MS. PISAPATI: Sure. 4 MR. AMMATURO: -- relative to the 5 private debts CMA, for example. 6 MS. PISAPATI: Sure. And what has 7 changed between last year and this year is 8 COVID. And as a result, Fed cutting rates. 9 And where rates are currently is at the 10 lower end. And we do not expect rates to 11 go up or Fed to increase rates until 2024. 12 With that backdrop, given the low 13 level of rates, core bonds are expected to 14 yield much lesser than what they have been 15 expected as of the end of last year. And 16 that explains why our core bond return 17 expectations are much lower across both 18 intermediate term as well as long term. 19 Similarly, if you look at 20 investment grade core rates as well, the 21 expectations there have come down because 22 the spreads have tightened to historical 23 low levels. So, there is only so much room 24 in terms of where the spreads could go from</p>	<p style="text-align: right;">Page 56</p> <p>1 fixed income assets where the core bonds 2 have low expectations. 3 MR. GOLDSMITH: Yeah. And 4 actually, Bill, if you want to flip ahead 5 to the next slide, you can see the impacts. 6 So we did -- we did take a look and 7 ran our Monte Carlo simulation with our 8 capital market assumptions. You know, the 9 current portfolio targets are outlined red 10 in the middle. And you know, when you go 11 down to the bottom of the page, all the way 12 at the bottom, the long term assumption 13 output for 30 years, you can see the 14 expected return for the current portfolio 15 is coming in at 6.9 percent, you know, just 16 below the new actuarial target. 17 You might remember as we looked at 18 this throughout 2020 under our previous set 19 of assumptions as we were looking at 20 different levels of alternatives to perhaps 21 include in the portfolio, you know, this 22 portfolio had, I think, a 7.3 percent 23 expected return; essentially, right on top 24 of the old target. The change in expected</p>
<p style="text-align: right;">Page 55</p> <p>1 here. And as a result, expectations are 2 lower there compared to where they were 3 earlier last year. 4 So with that in mind, when you 5 compare that to private equity or private 6 debt, the expectations look much attractive 7 in the private space. And if you look at 8 the private space, it's driven by credit to 9 some extent. Easy credit policies. Easy 10 monitoring policies are all conducive to 11 private asset class. If you take a step 12 back and look at private assets, it's 13 basically leverage and it's access to 14 credit. And -- and those -- those two are 15 driven by level of interest rates and 16 how -- how loose the financial conditions 17 are. 18 Given where the financial markets 19 are at this point, given the easy monetary 20 policy that we have in place and that's 21 expected to stay, we expect private equity 22 and private debt to yield a higher return 23 over intermediate as well as long term. 24 And that looks attractive related to the</p>	<p style="text-align: right;">Page 57</p> <p>1 output you see is the direct result of what 2 Surya just talked about. And our reduced 3 assumption for generally core bonds. 4 One thing I will add is PFM is 5 generally very conservative in constructing 6 our capital market assumptions. It's been 7 a hallmark of the process since I joined 8 nine years ago. So you know, we use this 9 to help guide us. But ultimately, you 10 know, you can see the output here. You 11 know, if you look all the way to the left, 12 it was 70/30 portfolio with a high rate -- 13 7.5 allocation in return. But I think it 14 was a goal of ours that when you're 15 lowering the return assumption, they're not 16 to add any additional equity risk that's 17 not needed in the portfolio. 18 We have the tools that are 19 available to us that I went through a 20 minute ago. And we believe that we can 21 achieve the new 7.0 percent return over the 22 long term. But with this long term 23 strategic allocation here and the tactical 24 as mentioned.</p>

Sinking Fund Commission - January Meeting
January 20, 2021

<p style="text-align: right;">Page 58</p> <p>1 Move onto the next section, Bill. 2 And we were also asked to address, you 3 know, PFM's commitment to DE&I -- you know, 4 diversity, equity and inclusion and, you 5 know, recent developments. 6 So on this slide here, you know, 7 this -- PFM, it's been at the heart of PFM 8 since I joined. But you know, formally, 9 the current DE&I Initiative really began in 10 2016 with the formation of the DE&I Council 11 and the formal setting out of these, that 12 per the graphic, they reflect on each 13 other, the feed on each other to grow. But 14 ultimately, they create culture that we at 15 PFM want. 16 It's a welcoming place to work. 17 And then, that in turn yields the outcomes 18 that our clients, you know, should receive, 19 you know, from a diverse, talented 20 workforce. You know, they include, 21 obviously, targeted recruiting efforts, you 22 know, team building and culture efforts, 23 and education activities around that. 24 So that was put in place, like I</p>	<p style="text-align: right;">Page 60</p> <p>1 Surya, if you want to elaborate on this, we 2 formally instituted minority manager search 3 protocol as part of all of our investment 4 committee circuits. 5 MS. PISAPATI: Sure. Yeah. So, we 6 wanted our manager selection process to 7 reflect the firm's principles. And as a 8 result, what we said was that for every 9 manager search that was brought to the 10 investment committee, we need to include 11 diverse managers in the search. And in 12 cases where a diverse manager is not fit, 13 the analyst has to provide comments or 14 enough comments to justify why a diverse 15 manager is not chosen for a particular 16 search. 17 And I think that kind of takes care 18 of any biases that the analysts have and 19 helps us kind of look under the hood, 20 because some of those diverse managers are 21 not easily found. We have built our own 22 internal database of D and WB managers. 23 But if anything, it is putting more 24 traction around finding those managers at</p>
<p style="text-align: right;">Page 59</p> <p>1 said, four years ago. On the next slide 2 you can see where we are today, you know, 3 the end of 2020 going into 2021. So, there 4 were some pretty exciting things that took 5 place last year. 6 Firstly, you know, the DEI Council 7 was elevated to, you know, an executive 8 level position with a formal DEI advisor 9 put in place. Secondly, in adherence to 10 and furthering the cause of the DEI 11 Initiatives -- again, diversity, equity, 12 inclusion -- is part of our evaluation 13 process for all PFM employees, particularly 14 managing directors. It is part of our 15 compensation now how well we -- you know, 16 we drive these efforts forward for the firm 17 and for clients. 18 You know, we added -- we started -- 19 on the previous slide I mentioned, we added 20 some training. We added a lot of 21 significant interest groups. You know, 22 started with just two through to three. 23 Last year, the number of groups grew to 24 six. And then most recently, I don't know,</p>	<p style="text-align: right;">Page 61</p> <p>1 the committee level. 2 MR. GOLDSMITH: Yeah. Thank you. 3 You know, another recent addition, 4 it's not necessarily on this page, but we 5 continue to explore the possibility of 6 directly brokering vehicles for a wide 7 range of clients, whether they have a 8 directing brokerage program like you all do 9 or not. 10 The last thing I will mention, you 11 can see it on there. We just received, you 12 know, the RippleMatch award. It's a 13 recruiting service. But a big proponent of 14 this on-campus recruiting award is 15 diversity, equity, inclusion and -- 16 reaching out to students of all 17 backgrounds. So, we are pleased to see the 18 reward. Not why are doing it, obviously, 19 but it indicates, you know, we are moving 20 in the right direction and will continue to 21 do so. 22 Lastly on the next slide, this is 23 our, you know, minority women breakdown by 24 ownership, managers and the total firm at</p>

Sinking Fund Commission - January Meeting
January 20, 2021

<p style="text-align: right;">Page 62</p> <p>1 PFM asset management. You know, we 2 continue -- we are a diverse firm. We are, 3 previously, a majority -- minority-owned 4 firm. And following our management buyout, 5 we continue to, you know, move back to that 6 aspirational goal. And I believe we have 7 provided the full details for this in the 8 past. 9 So with that, you know, thank you. 10 And I will pass it back to Marc. 11 MR. RUBIN: Marc, that would be 12 time. If you can wrap. 13 MR. AMMATURO: Okay. Can you go 14 ahead, please, Bill? Thank you. 15 We are at the 20-minute mark. 16 Those are the three points I wanted to 17 raise. I will just close here with what 18 value PFM provides to PGW. If you can move 19 ahead one slide, not going to spend a lot 20 of time here. We are based in 21 Philadelphia, you know that, right in the 22 heart of Center City. This is a big deal. 23 You know, Slide 16 is a big deal. 24 If you look at the bottom line --</p>	<p style="text-align: right;">Page 64</p> <p>1 One, low cost. You just saw how 2 significantly we reduced underlying manager 3 fees within your fund. And as I mentioned, 4 we reduced or fee two times during this 5 process, and we are willing to talk if 6 further discussions need to be had around 7 our proposal of 190,000. 8 How else are we different? You 9 know, Alex talked about how we continuously 10 enhance your portfolios, proactively 11 communicating tactical portfolio 12 adjustments. Our investment committee gets 13 together twice a month. If recommendations 14 come out of that committee meeting, Alex is 15 on the phone with Chris immediately talking 16 about what we recommend and why and to see 17 if it makes sense for PGW. 18 We are committed to serving 19 Philadelphia-based clients. We are based, 20 as I mentioned already, at 18th and Market. 21 We take great pride in servicing our 22 hometown clients and high-touch client 23 service. Again, we talked a lot about that 24 in the past 20 minutes. I think, you know,</p>
<p style="text-align: right;">Page 63</p> <p>1 the bottom row. When we got hired, you 2 paid your underlying managers PGW the 35 3 basis points, which equated to almost \$2 4 million. That's how much you pay your 5 domestic equity, international equity and 6 fixed income managers when we got hired. 7 If you look at the top row of the chart, 8 you now pay 20 basis points or 560,000 on a 9 half year basis. 10 So if you annualize that dollar 11 amount, you get to 1.2 million that you are 12 going to pay in Fiscal 20, 1.2 relative to 13 2 million that you paid in Fiscal 15 when 14 PFM came on board. That's \$800,000 in 15 savings. In basis points, it's the 16 reduction from 35 to 20. Again, this is 17 what you've pay your domestic equity, 18 international equity and fixed income 19 managers. PFM takes great pride in driving 20 down costs as your investment advisor. 21 And one last slide, please, Bill. 22 The last slide I wanted to address, being 23 sensitive on time -- again, how is PFM 24 different than the competitive landscape?</p>	<p style="text-align: right;">Page 65</p> <p>1 Chris knows how frequent and how proactive 2 we've been with Chris during this 3 engagement. And we look forward to the 4 opportunity to continue to service PGW 5 going forward. 6 Again in the essence of time, I 7 will close our remarks there and open it up 8 to questions. 9 MR. BIELLI: Can we go back to page 10 6, Billy, on the slide? I know Alex gave 11 this presentation. 12 This is good. This is fine. 13 I don't know who wants to answer, 14 but Alex gave the presentation. Yeah, the 15 tactical over and underweight for the asset 16 classes is based on the best thinking of 17 PFM's investment committee. 18 Now, is that general on a macro 19 level, on a micro level, or is it a custom 20 portfolio that Surya puts together for our 21 fund? 22 I mean, how would you be applying 23 that invest committee under or overweight 24 to our portfolio? And I am thinking</p>

Sinking Fund Commission - January Meeting
January 20, 2021

<p style="text-align: right;">Page 66</p> <p>1 back -- even though I was not the designee 2 at the time -- I am intimately familiar 3 with the COVID recommendation of taking 4 money off the table. Not sure actually how 5 that worked out as far as reallocating the 6 money and whether there was general 7 consensus across the board. I assume not 8 in your own investment committee. 9 But how would you apply that to our 10 fund given that our fund is not an OCIO 11 type of model? Is it micro? Is it macro? 12 Is it custom? How would that work? 13 MR. GOLDSMITH: So, okay. Thank 14 you, Fran. I think I understand your 15 question. I have to answer it in a couple 16 parts. 17 You know, our investment committee 18 thinks on a generally macro asset class 19 level. They are dealing with the economy 20 as a whole and, you know, broad asset class 21 positioning. Surya, please, and Marc, as 22 members of the investment committee, 23 correct me if I'm wrong. 24 They have views on every asset</p>	<p style="text-align: right;">Page 68</p> <p>1 backing analysis that our 2 investment committee get. Same discussion. 3 Ultimately, the decision lies with you all. 4 MR. BIELLI: Right. Would that 5 normally happen in the tactical over and 6 underweight of asset classes? I mean, is 7 that -- is that only occasionally, I would 8 assume and not frequently on a given, like, 9 situation with COVID or Greek debt crisis? 10 Or things like that? 11 MR. GOLDSMITH: You know, that was 12 certainly a large magnitude move. It was a 13 very, you know, obviously unique challenge 14 that faced us back in March of last year. 15 You know, I'm trying to think of other 16 instances. We, typically, utilize the 17 monthly cash raise to act tactically 18 related to this plan. I think we planned 19 to talk about it, you know, after the 20 meeting. 21 You know, Surya, Marc and I just 22 conferred and we discussed with Chris. And 23 we elected to raise an additional one 24 quarter of cash from equities, you know,</p>
<p style="text-align: right;">Page 67</p> <p>1 class and favorability on favorability. 2 Qualitative and quantitative analysis from 3 our research group goes into that. That, 4 generally, leads them to a positioning, a 5 broad -- a positioning. It is my job in 6 conjunction with Marc and Surya and others 7 of the investment committee to reach a 8 custom portfolio and staff -- staff 9 commission, we come up with custom 10 recommendations for the Sinking Fund to 11 present. And they are done in conjunction 12 with Chris, as I mentioned, and presented 13 to you all for selection. 14 So you know, obviously, 15 every client -- and that's, generally, how 16 things are done for our discretionary 17 clients, too. Every client has different 18 policies, goals, et cetera. And so, it's 19 the role of people like me in conjunction 20 again with the committee professionals to 21 reach the customized portfolio for 22 individuals. The only difference between 23 this and OCIO is that, you know, it's 24 presented as a recommendation with the same</p>	<p style="text-align: right;">Page 69</p> <p>1 following the runup in valuating we have 2 seen recently. That's, typically, been, 3 you know, one of the most used tactical 4 tools we have used. 5 You know, you have to remember also 6 that this plan requires RFPs for acting 7 condition of new managers. And so, that 8 sometimes hampers the ability to 9 quickly, tactically add new asset classes, 10 Fran. 11 MR. BIELLI: Yeah. No, I get that. 12 Being the Director of the Municipal Found, 13 I get that we can move as quickly as the 14 Titanic. I get that. 15 MR. GOLDSMITH: So within what is 16 out there in the plan, it's overweighting 17 and underweighting existing classes. If 18 it's not done in conjunction, with let's 19 say, cash raise, it would be brought to the 20 full Commission. And you know, I can think 21 of the most recent instance was certainly 22 back in March of this year. That was, 23 obviously, a large magnitude 24 recommendation.</p>

Sinking Fund Commission - January Meeting
January 20, 2021

Page 70

Page 72

1 MR. AMMATURO: If I can just
2 mention one thing -- I'm sorry -- real
3 quickly just to give you some context,
4 Fran. On a typical year, we are averaging
5 maybe one trade a quarter, four or five
6 trades a calendar year just to give you
7 some more context. This past year was an
8 anomaly, obviously.
9 MR. BIELLI: That makes sense.
10 Given the pessimistic outlook on fixed
11 income, which I get, and I don't think
12 anyone would disagree with that. Why are
13 you recommending the same percentage in the
14 asset allocation for fixed income?
15 I mean, unless I'm reading it
16 incorrectly.
17 MR. GOLDSMITH: Again, we are.
18 That is correct. You know, for the
19 strategic allocation, the investment policy
20 statement, we are keeping it at 60, 32.5
21 and 7.5.
22 You know, to directly answer your
23 question, Fran, it's a lower fixed income.
24 That target would have to go somewhere else

1 MR. DiFUSCO: Assuming there is no
2 other questions from Donn or Kellan --
3 Surya, Alex, Marc, thank you for your time
4 this morning. We will excuse you from the
5 meeting just for a few minutes so the
6 Commissioners can discuss, deliberate and
7 ask questions. And then we will invite you
8 back in for a very brief summary of
9 December investment performance.
10 MR. AMMATURO: Thank you, Chris.
11 MS. PISAPATI: Thank you.
12 MR. DiFUSCO: Thanks, everybody.
13 - - -
14 (Brief pause as PFM Reps exit Video stream.)
15 - - -
16 MR. RUBIN: You're clear, Chris.
17 MR. DiFUSCO: Thanks, Bill. So,
18 Donn, Fran, Kellan, happy to take the
19 discussion if there is any to be had or
20 questions. You know, deliberate amongst
21 yourselves. Or happy to take this in our
22 time together, any way the three of you
23 would like this morning.
24 CHAIRMAN SCOTT: Yeah.

Page 71

Page 73

1 either into, you know, alternatives or
2 equity or cash. Frankly, view cash as part
3 of the fixed income, you know, target
4 there. And like I said before, it was a
5 goal of ours, in -- you've all acted
6 prudently to lower the target. You know,
7 we didn't want to increase equities -- you
8 know, effectively increase the risk of the
9 portfolio on paper.
10 You know, we also just recently
11 agreed to 7 and a half percent alternatives
12 target. It's allowed to go up to
13 10 percent. We felt that the targets as
14 structured were appropriate to achieve 7.0
15 percent over the long term.
16 MR. BIELLI: Right. So because the
17 assumed rate is reducing the risk profile
18 of the fund, why reduce the risk elsewhere.
19 Is that, in essence, what you are
20 saying?
21 MR. GOLDSMITH: Yes. When we have
22 the ability to do, you know, the things
23 I've been speaking about.
24 MR. BIELLI: Okay. Thanks.

1 Christopher, I would like to ask a
2 question.
3 MR. DiFUSCO: Sure.
4 CHAIRMAN SCOTT: The last time PFM
5 made a presentation, we did push them on
6 the price and they were -- yeah, the fee,
7 and they were relatively -- not relatively,
8 they were inflexible as relates to bringing
9 the fee down. He made reference to some
10 business that they lost. I'm not sure if I
11 understood what that meant. And as a
12 consequence, that they felt they needed to
13 be more aggressive with pricing.
14 Can you walk me through why they
15 appear to be really aggressive from a
16 pricing perspective?
17 MR. DiFUSCO: Sure. I mean,
18 ignoring the possibility that I just have
19 really, really good negotiating skills,
20 which I am not going to chalk this up to,
21 they -- so the PGW -- PGW has another pod
22 or account of money for post employee
23 retirement benefits, the OPEB trust that
24 has a five member board. Rob is also a

Sinking Fund Commission - January Meeting
January 20, 2021

Page 74	Page 76
<p>1 member of that. I sit on that Board for 2 him. 3 And the way that account works is 4 that PGW over a period of, let's call it, a 5 couple of decades is putting money in with 6 an eye towards at some point being able to 7 fund other, you know, non-pension retiree 8 obligations out of that pot of money. 9 There is an investment advisor consultant 10 for that. It's currently -- was formerly 11 Gallagher out of Pittsburgh. It's now 12 AndCo, who presented to you all back in 13 September. That was recently opened as 14 part of an RFP process. And their fee 15 relative to their peers, including AndCo is 16 very, very high. And they were also 17 predominantly pushing a -- an OCIO model. 18 So, my understanding from a couple 19 brief conversations with Marc around 20 that -- and I always have to be careful in 21 terms of, you know, disclosure and being 22 sensitive to how other members of the Board 23 feel. I mean, I did indicate to Marc and 24 Alex and Surya, you know, that price was</p>	<p>1 what PFM had to say about the risk -- risk 2 in general. I liked what Alex had to say 3 about the fact that we do seeing the 4 assumed rate of return, it does reduce the 5 funds risk profile. There is no question 6 about that. That's factual. That's a true 7 statement. 8 The fact that PFM recognized that 9 and recognized the fact they don't have to 10 radically shift the portfolio is 11 encouraging to me. And I believe Alex said 12 during his presentation, they tend to be a 13 little more conservative. I like that for 14 a fund that's funded, you know, at the 15 level that the Sinking Fund is. It's not a 16 hundred percent, but it's not 50 percent 17 either. So, the funding level is decent. 18 I think NEPC -- I think it's 19 overpromising. I mean, when you're -- when 20 you're looking at throwing a 15 percent 21 private equity out there, private debt, so 22 on and so forth -- and Margaret said it. 23 And I appreciate her honesty. But that is 24 increasing the risk profile of the fund.</p>
<p>Page 75</p> <p>1 certainly a consideration. That their 2 price was very high for that bid. 3 And it appears based on his 4 comments that, at least in part, they took 5 the loss or the potential loss of that 6 business in consideration here when 7 lowering their fees further as part of 8 their proposal to the three of you today. 9 CHAIRMAN SCOTT: Thank you. 10 MR. DiFUSCO: Sure. 11 MR. BIELLI: I would just add, 12 Christ, just as a comment if we are going 13 to get to the point of making a decision on 14 these two is that there is, obviously, the 15 pros and cons to both. The fact that PFM 16 indicated a willingness to negotiate 17 possibly further on their fee and maybe 18 coming out at the end at 190 is interesting 19 to me, a stepped up fee. 20 I mean, as it is now, we are 21 talking about at the end four years, a 22 substantial difference in fees, you know, 23 at the end of four years. And so, I think 24 that's a good thing. I think -- I liked</p>	<p>Page 77</p> <p>1 And it's increasing the risk profile of the 2 fund pretty substantially in my opinion. 3 So, I liked what -- I liked that 4 this fund has reduced the assume rate to 5 7 percent. I like, you know, our 6 conversation at the last meeting, you know, 7 Joe Golden indicating the commitment of 8 continuing to contribute at the level that 9 PGW has been contributing to the fund. And 10 I think everybody is on the same page of 11 trying to reduce the risk level. 12 I would hate to see the portfolio 13 radically shifted in a more risky level 14 given that everything else seems to be 15 de-risking. So for that reason, I like 16 PFM's proposal. I, also, like the fact 17 that our returns had been good under PFM. 18 I studied the flash report. I 19 looked at the return for a long period of 20 time. And they are right about the fees. 21 They are incorrect that it was -- it was 22 something that was done solely by them. 23 Donn, as you know, you've been here. 24 Kellan, you've been here. And we know it</p>

Sinking Fund Commission - January Meeting
January 20, 2021

Page 78

1 was a concerted effort by the City in
2 general, not just the Sinking Fund but the
3 Municipal Fund to more pass investment, to
4 push or reduce the fees. And I think, you
5 know, Chris as CIO of the Sinking Fund was
6 the catalyst behind the reduction in fees
7 along with the trustees, you know, Donn and
8 the Controller and Kellan in reducing the
9 fees.
10 So, I will give PFM some credit for
11 that, but I give the majority of credit to
12 Chris and the trustees. But the fund is in
13 a good position on a risk basis. And PFM
14 seems to be consistent in that, in that
15 respect. For that reason, I like the way
16 they answered those questions.
17 You know, I -- substantial shift in
18 the asset allocation, which is what NEPC is
19 recommending, I think may be a little more
20 risky than is warranted at this point. I
21 would certainly -- that's it.
22 MR. WHITE: Thanks for that, Fran.
23 I think, one, in regards to PFM lowering
24 the fees, I think it's -- let's call it,

Page 79

1 their competitive advantage in working with
2 us and sort of seeing, you know, bidding on
3 other things and realizing their fee was
4 too high. They got almost a second and a
5 third bite at the fee apple, you know,
6 whether it was, you know, by happenstance
7 or whatever so that they got that -- had
8 that advantage.
9 And I do think it's still
10 concerning to us, you know, that emergency
11 meeting during COVID just -- the whole
12 thing felt like -- it raised a lot of red
13 flags I don't necessarily think are gone.
14 I think we all hope that we don't ever get
15 to a situation like we were in March,
16 right? But that sort of reaction just felt
17 uncomfortable, for lack of a better word,
18 for people who are supposed to advise you
19 and sort of have that shift.
20 And you know, I just -- I have some
21 concerns about them shifting away from
22 discretionary consulting in general, right?
23 There are a lot of red flags. At least
24 what I thought I understood NEPC saying,

Page 80

1 and maybe I was -- I misunderstood, was
2 that they did make some recommendations.
3 But they were also willing to work with us
4 based on what our risk tolerance was,
5 right? So, I just think that, you know,
6 our office came in today leading NEPC. And
7 I don't think that PFM -- I think they
8 absolutely did close the gap. I will give
9 them credit for that. I don't believe
10 anything to supplant NEPC. I don't think
11 NEPC did anything to hurt themselves so
12 much that I suddenly I feel -- our office
13 feels significantly different about their
14 candidacy.
15 But I mean, I think it's worth
16 having a discussion. I think Fran did
17 bring up some valid and good points.
18 CHAIRMAN SCOTT: Well, I can -- I
19 can feel Rebecca the last time we got
20 together evaluating these firms. She was
21 definitely disappointed with PFM. I don't
22 know if she said that or it's just a
23 takeaway that I had from the discussion.
24 Also, I thought that -- and I

Page 81

1 really need to look at it further in terms
2 of their -- PFM's commitment to diversity
3 and inclusion and get a better feel for
4 that. But I'm just -- I was just shocked
5 that they were willing to bring the price
6 down so significantly.
7 So in a case like this, is it
8 appropriate for us to have more discussion?
9 Or do we need to make a decision today?
10 MR. WHITE: Chris, you are muted.
11 MR. DiFUSCO: Sorry about that.
12 Thanks, Kellan.
13 Donn, no. You are not required to
14 make a decision today. Certainly, if you
15 want to go back either individually or with
16 the group or with me look at the diversity
17 and inclusion data, if there is follow-up
18 questions from, you know, Fran, Donn,
19 Rebecca, Kellan about any of the points
20 that were raised on fees, on the 15 percent
21 private equity, on the OCIO model, I can
22 certainly bring those back to one or both
23 firms.
24 And then, you know, I can -- once I

Sinking Fund Commission - January Meeting
January 20, 2021

Page 82

1 presented that information to you either
2 verbally or via email, if folks want to get
3 together sooner to make the decision, they
4 can. And if there is a desire to just wait
5 and decide in March, that's fine, too. But
6 there is no -- there is no contractual or
7 legal requirement that a decision has to be
8 made today.
9 MR. WHITE: As a follow up, Chris,
10 you know -- and I think we all agree that
11 PFM significantly lowered their fees, and
12 that is great. Is it appropriate to nudge
13 NEPC on their -- on their fees? You know,
14 like I think that -- I mean, I'm not -- I
15 don't want to sound like I'm accusing PFM
16 of any wrongdoing. But I think they
17 just -- they knew more. And used their
18 knowledge to say, we can lower fees to
19 this. I think that's sort of great.
20 I think we should at least see if
21 NEPC can move on it. Because if that's
22 going to be a deciding factor -- and look,
23 they can say, no, we're not going any
24 lower. And that's like, you know, swings

Page 83

1 the pendulum closer to PFM. But if they
2 are able to work with it -- I think we are
3 better served to have the conversation, all
4 things being equal, if we can. If they
5 can't, I think that's a significant factor
6 in the decision making.
7 MR. BIELLI: Chris, was NEPC given
8 the opportunity to present their best fees?
9 MR. DiFUSCO: They both were.
10 Yeah, I went back to both of them multiple
11 times. Did ask for best, last and final.
12 But I probably asked them both, I would
13 guess, ten times, I mean.
14 But you know, to Kellan's point,
15 obviously, they did have a little bit more
16 information. I, certainly, as part of this
17 process, happy to ask both firms again. I
18 can get more details from PFM on their
19 step-up or step-down fee that Marc
20 referenced.
21 And I can certainly --
22 particularly, since Margaret is local, they
23 have discussed on a really, really high
24 level. And I think it's years away. But

Page 84

1 perhaps opening a Philadelphia office at
2 some point, I can see if that local
3 presence for her can move the fees down, as
4 well. I'm certainly happy to have those
5 conversations another time.
6 MR. WHITE: Chris, just for my
7 edification, so PFM has lowered their fees
8 twice, right?
9 MR. DiFUSCO: Correct.
10 MR. WHITE: 250 to 220 and 220 to
11 190, I think. In the course of asking them
12 for their, like, best/final offer, was
13 their first/best/final, like, 220 and then
14 the next best/final was 190? They just
15 went back into their cave and talked
16 amongst themselves and were like, oh, we
17 can do 190? Is that how it worked? Or was
18 it sort of the first time you asked for
19 their best/final fee, it was 190?
20 I'm just trying to understand the
21 chain of events.
22 MR. DiFUSCO: No. It -- the 220
23 was the initial/best/last and final. I
24 did -- I did make them aware that -- you

Page 85

1 know, I think as Donn said, you know, when
2 he -- he got, you know, certain vibes or,
3 you know, heard certain comments from
4 Rebecca at the last meeting. I, also, got
5 the sense both directly from talking to
6 Donn and then indirectly just from certain
7 things he said at the meeting, that the
8 fees as well, if my memory serves me
9 correctly, Marc's answer back at the
10 September meeting on the fees, did not sit
11 particularly well with any of the
12 Commissioners or their designees.
13 So, I made them aware a couple
14 times that fees were still an issue. I did
15 not get a -- I did not get a phone call or
16 anything saying, hey, you know, the fees
17 are going to be substantially lower. When
18 I got the presentation dec, it was either
19 right before or contemporaneously, I got a
20 call or email saying, hey, you know, please
21 make sure -- you'll note that we are
22 lowering fees again.
23 So you know, to your point -- I
24 mean, it did -- look we pushed, the

Sinking Fund Commission - January Meeting
January 20, 2021

Page 86

1 Commission pushed, I pushed behind the
2 scenes. But you know, their best/last and
3 final has obviously dropped significantly.
4 I think that's a good thing. But to your
5 point, you know, there are certainly
6 questions about how they arrived at the
7 number. And if either firm can come down
8 more.
9 CHAIRMAN SCOTT: Chris, can I ask a
10 question?
11 MR. DiFUSCO: Sure.
12 CHAIRMAN SCOTT: The formula that
13 they put out, three basis points, is that
14 what the industry uses?
15 MR. DiFUSCO: I don't -- you know,
16 Donn, I think that's -- look, I don't want
17 to -- I don't want to sound too cynical,
18 but I think -- I think all firms, not just
19 PFM, but they have ways as consultants ways
20 to make their fees look, you know,
21 attractive.
22 It's not something that I have
23 seen. You know, I don't recall that it's
24 something Marquette has presented to us at

Page 87

1 the main fund. I don't recall it being
2 something AndCo has mentioned at the OPEB
3 Trust. I don't think I have seen it in my
4 work as a trustee on the Jenkins Board
5 where we have a couple investment accounts,
6 the Law Library.
7 So, no. To answer your question, I
8 wouldn't call it industry standard. Other
9 people may use it, but I don't think it's
10 like a hard and fast rule by any -- by any
11 stretch.
12 CHAIRMAN SCOTT: Got it.
13 Well, my position is, let's take a
14 little time to reflect on this. I don't
15 know -- I wouldn't suggest we wait until
16 March.
17 MR. DiFUSCO: Okay.
18 CHAIRMAN SCOTT: But at the same
19 time, I want to get to the Inauguration, so
20 I think we should move on with the next
21 phase of the Agenda.
22 MR. DiFUSCO: Yeah. What I will do
23 is, I'll take your questions back to both
24 firms. I will come back to you with a,

Page 88

1 let's call it, within one to two weeks,
2 depending on how long it takes them. And
3 then, we can decide or, rather, the
4 Commission can decide, you know, I can
5 throw out some dates so we don't have to
6 wait till March. And then, the three of
7 you or the Controller and you guys can
8 decide when you would like to get together.
9 We will just have a Special Meeting, just a
10 brief special meeting just to talk about
11 this.
12 CHAIRMAN SCOTT: That would be
13 great.
14 MR. DiFUSCO: Okay.
15 Bill, if you want to invite PFM
16 back in, I will remind them to be short and
17 sweet.
18 - - -
19 (Brief pause as PFM rejoins Video stream.)
20 - - -
21 MR. DiFUSCO: We have everybody in,
22 Bill?
23 MR. RUBIN: We do. They're back.
24 MR. DiFUSCO: Okay. Surya, Alex,

Page 89

1 Marc, thanks for joining. Just a -- in the
2 interest of time, the Presidential events
3 ongoing, if we can keep the remarks largely
4 confined to the December report and
5 relatively brief.
6 I will just mention to the
7 Commissioners, that before the market
8 opened today, the fund had \$633 and a
9 million in it. That included 13 million in
10 cash with a pending trade to raise another
11 \$6 and a half million in cash, which would
12 cover, you know, about three additional
13 months of benefits.
14 So with that, I will turn it over
15 to PFM for some brief remarks on the
16 December performance.
17 MR. GOLDSMITH: Yeah. Thank you,
18 Chris. You can see the report up here
19 again. You know, I don't know what's going
20 on with my camera.
21 But for both the month and the
22 quarter, the total fund top of the line,
23 you can see, it was, you know, good
24 outperformance relative to the benchmark

Sinking Fund Commission - January Meeting
January 20, 2021

Page 90	Page 92
<p>1 clawing back some of the underperformance 2 that we've seen. If you move out two 3 columns to the 2020 column, that's what I 4 was referencing. Unfortunately to the full 5 year, the plan as a whole underperforming 6 it's benchmark by about 1.8 percent or so. 7 You know, largely related to, you 8 know, there was some -- you know, the bit 9 with the asset allocation in March, but 10 also some manager underperformance for the 11 year. But related to December and the 12 fourth quarter of 2020, you can see within 13 the active managers, PineBridge, you know 14 again continues to slightly underperform 15 for the month and build up over the 16 quarter. We did send a memo out in late 17 December saying that PineBridge is 18 remaining on Watch List. And then, we 19 recommended issuing an RFP to explore 20 options for replacement. 21 You know, one of those options is 22 an index, as well. And we're going totally 23 passive in large cap space. But we wanted 24 to at least issue an RFP and see what sort</p>	<p>1 total plan performance. They were a new 2 manager added last summer, summer of 2019. 3 There were placed on Watch List after the 4 last meeting or at the last meeting. We 5 had a call with them about two weeks ago. 6 They remain on Watch List. 7 Surya, I don't know if you want to 8 briefly address our thoughts on Copeland. 9 MS. PISAPATI: Sure. Yeah. 10 Copeland focuses on different 11 growers and it's focused on high quality 12 companies. Quality, as a factor, has 13 underperformed drastically in 2020, 14 especially more so in the fourth quarter. 15 Quality companies did well coming after the 16 sell off. But as we saw a rally in the 17 market in Q4, lower quality companies 18 rallied. And that -- that hurt the related 19 performance of Copeland. 20 Having said that, this is a manager 21 that continues to have the investment 22 process intact. And we expect that this 23 strategy can offer outperformance over long 24 term over a full market cycle. With that</p>
Page 91	Page 93
<p>1 of active proposals and fees for those 2 proposals we would get. 3 So, I don't know if you want to 4 stop and make a motion on that, Chris, or 5 do that at another time or have a 6 discussion around that. 7 MR. DiFUSCO: I think with -- just 8 with the search and stuff pending, and I 9 will touch base with you guys after, we 10 should -- I would like to just -- I would 11 like to hold off on floating an RFP at 12 least for a couple weeks, if that's okay. 13 MR. GOLDSMITH: Yeah. That's fine. 14 You know, the magnitude of PineBridge's 15 underperformance has not been large, but 16 it's been the consistency that has led us 17 to that decision. 18 You know, within small cap 19 managers -- again, you know, Copeland, 20 small cap, you know, underperforming for 21 the month by fairly significant basis. 22 Pretty strong underperformance for the 23 quarter. And in particular, this manager 24 has been one that has been weighing on</p>	<p>1 background, in spite of the recent 2 underperformance, we continue to be 3 favorable regarding this manager. Having 4 said that, if the performance does not 5 improve looking ahead, then we will come 6 back to you to ask for a replacement. 7 But at this point, given that low 8 quality companies outperformed high quality 9 companies -- and if you go back to, like, 10 time periods like 2009, that happened then. 11 2009 was a junk rally. The managers that 12 were focused on quality underperformed. 13 But then they came back strongly 2010 14 through 2013, as quality in the market 15 picked up. 16 So with Copeland, we see this 17 underperformance as more temporary then a 18 permanent impairment of their process. 19 MR. GOLDSMITH: Thank you, Surya. 20 Moving on -- just to clear it, Copeland 21 remains on watch. 22 Moving on, the asset international 23 equity managers ended up being a bright 24 spot for the year. It was a topsy-turvy</p>

Sinking Fund Commission - January Meeting
January 20, 2021

Page 94

1 year particularly for EARNEST. But you can
2 see their performance in the fourth quarter
3 following the announcement of the vaccine,
4 you know, they were certain cyclical gains.
5 And they recovered nicely, almost back in
6 line for the full year 2020.
7 Acadian had a very strong month,
8 and quite a good full year 2020. So, those
9 were two managers added again summer 2019,
10 added in tandem. And we are glad to see
11 them working well together.
12 Moving on to briefly touch on fixed
13 income. You know, as a whole, the fixed
14 income portfolio slightly outperformed --
15 you know, the blended benchmark,
16 outperformed the Barclays aggregate by, you
17 know, 20 basis -- a little over 20 basis
18 points or so. A mixed bag of performance
19 for the more conservative core managers --
20 Weaver Barksdale, you know, Garcia
21 Hamilton -- tending to underperform their
22 benchmarks slightly. Whereas, the slightly
23 more aggressive ones, you know, MetLife
24 outperforming the core benchmarks.

Page 95

1 And then, certainly, you know, the
2 investment grade credit from MetLife and
3 then the SkyHarbor high yield, you know,
4 adding a lot of value, both for the quarter
5 and for the month. That gives us what we
6 were talking about a few minutes ago. And
7 the -- you know, the weaker outlook for
8 core fixed income relative to both higher
9 yielding fixed income and then
10 non-traditional fixed income.
11 So, that's -- those are the
12 comments. You know, Chris let you all know
13 about the cash raise. I will take any
14 questions now.
15 MR. DiFUSCO: All right. Thanks,
16 Alex. Thanks, Surya, for your comments on
17 that.
18 If there is no new business, Donn,
19 then the next regularly scheduled meeting
20 is in March. Obviously, we talked about
21 the possibility of a brief meeting sooner.
22 And we will confer about that. But I'm
23 happy to take any other questions. Or if
24 there is no new business, the Commissioners

Page 96

1 can certainly make a motion to adjourn.
2 CHAIRMAN SCOTT: Are there any
3 questions?
4 There being none, is there a
5 motion?
6 MR. WHITE: Motion.
7 CHAIRMAN SCOTT: So moved.
8 Thank you. Thank you, all, for
9 participating.
10 MR. DiFUSCO: Thanks. We will be
11 in touch. Have a good week.
12 (Meeting adjourned at 11:35 a.m.)
13
14
15
16
17
18
19
20
21
22
23
24

CERTIFICATION

I, hereby certify that the proceedings
and evidence noted are contained fully and
accurately in the stenographic notes taken by me
in the foregoing matter, and that this is a
correct transcript of the same.

ANGELA M. KING, RPR,
Court Reporter, Notary Public

(The foregoing certification
of this transcript does not
apply to any reproduction of
the same by any means, unless
under the direct control
and/or supervision of the
certifying reporter.)

Sinking Fund Commission - January Meeting
January 20, 2021

A	addition 7:8 29:5 45:13 61:3	ago 4:23 52:23 57:8 57:20 59:1 92:5 95:6	71:1,11 America 20:11	10:22 13:14 19:18 39:11 76:23	31:16 66:7 68:8 77:4 assumed 4:19	88:23 90:1 93:6,9,13 94:5	29:4 40:13 40:15,19 89:24 90:6 94:15	
a.m 1:17 96:12	additional 8:6 9:16 20:5 22:22 22:22 32:17 51:18 57:16 68:23 89:12	agree 82:10 agreed 71:11 agreement 20:10 ahead 20:12 44:9 45:3 46:23 49:23 50:8 53:18 56:4 62:14 62:19 93:5	Ammaturo 44:2,4,6 45:11 46:22 54:4 62:13 70:1 72:10	approach 19:22 21:18 22:10 25:5 36:18 49:5 appropriate 40:8,17 71:14 81:8 82:12	5:13 8:4,7 9:15 31:16 71:17 76:4 Assuming 72:1 assumption 13:8 23:24 30:10 53:21 56:12 57:3 57:15	backdrop 54:12 background 93:1 backgrounds 20:20 61:17 backing 68:1 backup 12:5 bag 94:18 ball 34:13	benchmarks 94:22,24 benefit 7:22 9:10 19:5 45:5,7 53:13 benefits 73:23 89:13 best 17:7 36:21,24 37:21 39:19 65:16 83:8 83:11	
able 18:9 46:1 48:13 74:6 83:2	address 44:15,23 47:3 58:2 63:22 92:8 addressing 22:9 adds 34:15 adherence 59:9 adjourn 96:1 adjourned 96:12 adjust 38:7 adjusted 29:22	Alex 43:3,9 43:18 45:21 46:2,22 49:24 64:9 64:14 65:10 65:14 72:3 74:24 76:2 76:11 88:24 95:16 align 29:2 allocation 24:18 25:15 25:17 27:23 33:5 38:13 44:18,22 50:2,11 51:6 57:13 57:23 70:14 70:19 78:18 90:9	amount 5:3 52:18 63:11 analysis 67:2 68:1 analyst 60:13 analysts 12:19 60:18 and/or 97:18 AndCo 74:12 74:15 87:2 Angela 1:14 97:11 announcem... 94:3 annual 14:11 33:7 annualize 63:10 annualized 53:22 anomaly 70:8 answer 6:23 7:13 42:20 65:13 66:15 70:22 85:9 87:7	approved 5:4 approxima... 1:17 area 37:8 areas 19:23 36:11 53:12 arrive 49:8 arrived 86:6 arrow 53:19 Aside 31:13 asked 35:15 44:14,22 47:2 50:9 58:2 83:12 84:18 asking 47:13 84:11 aspirational 62:6 asset 25:1,3 33:5 36:17 36:20 38:12 44:18,21 46:20 50:2 50:11 53:8 55:11 62:1 65:15 66:18 66:20,24 68:6 69:9 70:14 78:18 90:9 93:22	assumptions 25:2 26:2 32:22,24 33:10 53:17 56:8,19 57:6 attack 21:17 attention 16:10 attractive 27:18 40:4 55:6,24 86:21 audience 10:10 available 57:19 Avenue 33:23 averaging 70:4 award 61:12 61:14 aware 4:18 42:21 47:18 84:24 85:13 aye 3:15 eyes 3:16,18	base 14:10 91:9 based 25:4 31:15 62:20 64:19 65:16 75:3 80:4 basically 55:13 basis 14:11 26:17,18 32:23 33:8 49:14,17,18 49:18 63:3 63:8,9,15 78:13 86:13 91:21 94:17 94:17 began 58:9 beginning 6:18 behalf 17:3,7 43:16 believe 31:8 57:20 62:6 76:11 80:9	best/final 84:12,14,19 best/last 86:2 beta 26:11 36:7 better 40:18 79:17 81:3 83:3 beyond 37:16 41:15 biases 22:9 60:18 bid 75:2 bidding 79:2 Bielli 2:6 3:12 7:4,12 7:21 8:10 10:12 17:12 17:16 18:13 19:7 31:5 33:19 34:3 35:5,9,11 35:17 38:11 38:18,23 40:18,22 42:14 43:15 65:9 68:4 69:11 70:9 71:16,24 75:11 83:7 big 8:17,17 8:18 13:9 19:4 36:21 36:23 61:13 62:22,23 bigger 24:14 Bill 2:10 9:19	
absolutely 80:8	Acadian 94:7	ad 16:19 22:1,1 55:13	account 14:20 73:22 74:3	accounts 87:5	accurately 97:5	accusing 82:15	achieve 57:21 71:14	
act 68:17	acted 71:5	acting 69:6	active 26:10 26:15 32:9 32:10 35:21 36:12,16,19 37:12,15 90:13 91:1	activities 58:23	actuarial 13:8 23:24 25:13 56:16	Adam 2:11	add 26:15 30:14 32:4 32:8 49:22 57:4,16 69:9 75:11	
added 26:21 26:22 27:2 27:4,8 30:11 51:19 59:18,19,20 92:2 94:9 94:10	adding 30:13 34:19 38:1 40:15 95:4	advised 79:18 advisement 14:2 advisor 59:8 63:20 74:9 advisory 14:15 21:6 advocate 51:16,20 advocated 51:13 AGENCY 1:21 Agenda 3:7 12:23 44:9 44:9 87:21 aggregate 94:16 aggressive 73:13,15 94:23	alpha 26:10 32:2,8 37:15 alternates 43:11 alternative 5:3 26:22 51:18 52:24 alternatives 26:23 27:7 51:10 52:16 53:8 56:20	answered 78:16 anybody 23:12 Apollo 33:23 apologize 45:24 50:7 appear 7:24 73:15 appears 75:3 appendix 24:22 apple 79:5 applied 48:10 apply 36:16 36:19 66:9 97:15 applying 65:22 appreciate	assets 5:3 14:2,21 15:5,13 28:3 33:16 45:17 55:12 56:1 assigned 28:1 ASSOCIA... 1:21 assume 6:1	back 4:11 7:19 14:12 29:12 41:11 42:21 55:12 62:5,10 65:9 66:1 68:14 69:22 72:8 74:12 81:15,22 83:10 84:15 85:9 87:23 87:24 88:16	back 4:11 7:19 14:12 29:12 41:11 42:21 55:12 62:5,10 65:9 66:1 68:14 69:22 72:8 74:12 81:15,22 83:10 84:15 85:9 87:23 87:24 88:16	back 4:11 7:19 14:12 29:12 41:11 42:21 55:12 62:5,10 65:9 66:1 68:14 69:22 72:8 74:12 81:15,22 83:10 84:15 85:9 87:23 87:24 88:16
assumed 4:19	assumption 13:8 23:24 30:10 53:21 56:12 57:3 57:15	assumptions 25:2 26:2 32:22,24 33:10 53:17 56:8,19 57:6	attack 21:17	attention 16:10	attractive 27:18 40:4 55:6,24 86:21	audience 10:10	available 57:19	
available 57:19	Avenue 33:23	averaging 70:4	award 61:12 61:14	aware 4:18 42:21 47:18 84:24 85:13	aye 3:15 eyes 3:16,18	B	back 4:11 7:19 14:12 29:12 41:11 42:21 55:12 62:5,10 65:9 66:1 68:14 69:22 72:8 74:12 81:15,22 83:10 84:15 85:9 87:23 87:24 88:16	
back 4:11 7:19 14:12 29:12 41:11 42:21 55:12 62:5,10 65:9 66:1 68:14 69:22 72:8 74:12 81:15,22 83:10 84:15 85:9 87:23 87:24 88:16	back 4:11 7:19 14:12 29:12 41:11 42:21 55:12 62:5,10 65:9 66:1 68:14 69:22 72:8 74:12 81:15,22 83:10 84:15 85:9 87:23 87:24 88:16	back 4:11 7:19 14:12 29:12 41:11 42:21 55:12 62:5,10 65:9 66:1 68:14 69:22 72:8 74:12 81:15,22 83:10 84:15 85:9 87:23 87:24 88:16	back 4:11 7:19 14:12 29:12 41:11 42:21 55:12 62:5,10 65:9 66:1 68:14 69:22 72:8 74:12 81:15,22 83:10 84:15 85:9 87:23 87:24 88:16	back 4:11 7:19 14:12 29:12 41:11 42:21 55:12 62:5,10 65:9 66:1 68:14 69:22 72:8 74:12 81:15,22 83:10 84:15 85:9 87:23 87:24 88:16	back 4:11 7:19 14:12 29:12 41:11 42:21 55:12 62:5,10 65:9 66:1 68:14 69:22 72:8 74:12 81:15,22 83:10 84:15 85:9 87:23 87:24 88:16	back 4:11 7:19 14:12 29:12 41:11 42:21 55:12 62:5,10 65:9 66:1 68:14 69:22 72:8 74:12 81:15,22 83:10 84:15 85:9 87:23 87:24 88:16	back 4:11 7:19 14:12 29:12 41:11 42:21 55:12 62:5,10 65:9 66:1 68:14 69:22 72:8 74:12 81:15,22 83:10 84:15 85:9 87:23 87:24 88:16	

Sinking Fund Commission - January Meeting
January 20, 2021

10:3,17	74:19 88:10	80:14	chain 84:21	78:1	36:15	92:12,15,17	cons 75:15
38:19 43:2	88:19 89:5	candidates	Chair 10:11	clarity 49:22	comfortable	93:8,9	consensus
43:21 45:4	89:15 95:21	4:5,6	43:14	class 25:1	33:18 38:6	compare 55:5	66:7
46:23 50:8	briefly 22:16	cap 37:6,7,10	Chairman	46:20 55:11	coming 56:15	compared	consequence
53:17 56:4	45:21 92:8	37:17,18	2:4 3:2,11	66:18,20	75:18 92:15	55:2	73:12
58:1 62:14	94:12	90:23 91:18	3:13,17	67:1	commencing	compensati...	conservative
63:21 72:17	bright 93:23	91:20	6:11,15 7:2	classes 25:3	1:16	59:15	57:5 76:13
88:15,22	bring 4:11	capability	8:9 42:10	36:17,20	commend	competition	94:19
billion 15:13	16:20 23:3	18:18,19	72:24 73:4	53:8 65:16	50:17	11:16 48:9	consider 26:9
Billy 65:10	80:17 81:5	19:6	75:9 80:18	68:6 69:9	comment	competitive	50:10
bit 5:12 8:24	81:22	capacities	86:9,12	69:17	4:12 75:12	63:24 79:1	considerati...
19:19 25:21	bringing 73:8	37:23	87:12,18	clawing 90:1	comments	complement	75:1,6
27:22 34:15	broad 18:7	capacity	88:12 96:2	clear 29:3	3:24 44:1	40:9	considered
45:18 83:15	66:20 67:5	37:22	96:7	72:16 93:20	49:21 60:13	complemen...	44:13
90:8	broader 23:1	capital 52:1	chalk 73:20	client 16:9	60:14 75:4	39:19	consistency
bite 79:5	broker-dea...	53:17 56:8	challenge	17:4 41:8	85:3 95:12	component	91:16
blended	13:22	57:6	68:13	64:22 67:15	95:16	21:12 28:5	consistent
94:15	brokerage	capture 36:7	challenged	67:17	commission	28:20 32:9	51:22 78:14
block 25:5	61:8	care 60:17	51:4 52:21	clients 12:16	1:2,13 2:3	32:10 34:6	consistently
blue 26:4	brokering	career 16:23	change 4:9	13:23 14:20	3:5 42:1	34:12 35:4	24:7
board 2:6	61:6	careful 74:20	56:24	15:12 16:4	46:7 67:9	36:4,10	constitute
8:19 10:14	brought 20:6	Carlo 56:7	changed 54:7	18:11 22:2	69:20 86:1	components	33:21
21:7 26:13	36:2 60:9	case 81:7	changes	23:3 45:19	88:4	21:17	constructing
39:3 43:13	69:19	cases 60:12	50:24	46:10,18	Commissio...	concern 6:22	57:5
49:20 63:14	brush 18:3	cash 24:6	changing	58:18 59:17	10:9 43:11	concerning	consultant
66:7 73:24	Bryn 11:11	29:14 52:24	52:11	61:7 64:19	72:6 85:12	38:12 79:10	3:20 11:18
74:1,22	build 28:23	68:17,24	chart 63:7	64:22 67:17	89:7 95:24	concerns	12:1,16
87:4	34:7,12	69:19 71:2	check 40:24	clients' 45:17	commitment	79:21	17:18 74:9
Board's	90:15	71:2 89:10	43:22	close 8:16	44:23 58:3	concerted	consultants
10:13	building 25:1	89:11 95:13	Chicago 12:3	38:4 50:6	77:7 81:2	78:1	11:22,22
bond 51:2	25:5 34:19	catalyst 78:6	chief 46:20	62:17 65:7	commitme...	conclude	16:16 86:19
53:20 54:16	46:18 58:22	category 35:6	choice 12:16	80:8	51:21,22	41:3	consulted
bonds 25:19	built 25:4	cause 1:14	15:9	closely 12:6	committed	condition	50:22
27:14 28:1	60:21	59:10	chosen 60:15	closer 23:22	64:18	69:7	consulting
28:7,8,9	business 3:19	cave 84:15	Chris 7:4	83:1	committee	conditions	4:5 12:14
52:20 53:10	16:2 18:20	Center 62:22	10:22 24:2	CMA 54:5	5:17 20:18	55:16	12:20 13:19
53:16 54:13	73:10 75:6	certain 85:2	44:2,14,22	CMAs 53:24	21:7,15	conducive	13:20,24
56:1 57:3	95:18,24	85:3,6 94:4	47:2 64:15	CMBS 28:10	23:7 45:15	55:10	14:16 15:7
bonus 14:10	buying 14:12	certainly	65:1,2	Coleman	45:16 46:16	confer 95:22	16:1,8,15
book 41:12	buyout 62:4	15:22 18:17	67:12 68:22	2:11	46:17 50:23	conferred	17:6 18:11
Boston 14:4	C	50:18 51:15	72:10,16	column 7:18	60:4,10	68:22	79:22
bottom 21:10	C 2:1 97:1,1	68:12 69:21	78:5,12	9:2,4 25:15	61:1 64:12	confined 89:4	contained
26:3,4	calendar 70:6	75:1 78:21	81:10 82:9	26:21 90:3	64:14 65:17	confirm 7:16	97:4
36:23 56:11	call 3:4 21:14	81:14,22	83:7 84:6	columns 90:3	65:23 66:8	confirmed	contempor...
56:12 62:24	41:16,16	83:16,21	86:9 89:18	come 6:19	66:17,22	9:9	85:19
63:1	48:6 74:4	84:4 86:5	91:4 95:12	32:10,11,19	67:7,20	confusing	context 70:3
boutique	78:24 85:15	95:1 96:1	Christ 75:12	32:22,22	68:2	8:24	70:7
15:22 16:4	85:20 87:8	certification	Christopher	33:1,10	Commonw...	congrats	continue 5:18
breakdown	88:1 92:5	97:13	2:9 3:21	37:22 47:15	45:19	23:19	15:11 24:9
61:23	called 21:5	certify 97:3	73:1	53:23 54:21	communica...	congratulat...	40:10 53:6
breathing	camera 46:1	certifying	CIO 2:9 78:5	64:14 67:9	64:11	45:6	61:5,20
50:19	89:20	97:19	circuits 60:4	86:7 87:24	community	conjunction	62:2,5 65:4
brief 13:16	candidacy	cetera 10:16	City 1:1	93:5	22:7	67:6,11,19	93:2
72:8,14		67:18	35:13 62:22	comes 14:15	companies	69:18	continues

Sinking Fund Commission - January Meeting
January 20, 2021

90:14 92:21 continuing 22:5 77:8 continuously 64:9 contractual 82:6 contrary 5:13 contribute 77:8 contributing 77:9 control 97:17 Controller 10:12,16 78:8 88:7 Controller's 2:5 43:14 conversation 77:6 83:3 conversatio... 49:7 74:19 84:5 conviction 39:17 Cope 39:22 Copeland 38:20,21 39:12,18,23 40:9 91:19 92:8,10,19 93:16,20 core 5:11 8:14 28:1,7 28:8,9 34:12 52:20 53:16,20 54:13,16,20 56:1 57:3 94:19,24 95:8 corporate 19:1 correct 6:14 10:23 35:8 66:23 70:18 84:9 97:7 correctly 85:9 cost 64:1 costs 63:20 Council 58:10 59:6 couple 3:23	4:17 5:22 13:1 17:24 66:15 74:5 85:13 87:5 91:12 course 25:24 51:14 84:11 Court 1:14 1:18,21 97:11 cover 12:24 46:5 89:12 COVID 54:8 66:3 68:9 79:11 create 58:14 credit 27:5 28:3,4,10 28:11,21 29:6,8 30:13 33:19 33:20,21 34:6,8,15 35:4 55:8,9 55:14 78:10 78:11 80:9 95:2 crisis 68:9 cultural 21:12 culture 12:21 58:14,22 current 7:8 24:18 25:6 25:15,17,24 27:23 50:13 51:6 52:14 52:15 56:9 56:14 58:9 currently 30:15 54:9 74:10 custom 46:18 65:19 66:12 67:8,9 customized 67:21 cut 52:7 cutting 54:8 cycle 92:24 cyclical 94:4 cynical 86:17 D	D 60:22 D&C 21:22 Dan 2:14 dark 26:3 data 25:7 81:17 database 60:22 date 1:16 27:11 dates 88:5 day-to-day 11:19 46:6 days 46:4 DE 1:23 de-risking 77:15 DE&I 58:3,9 58:10 deal 62:22,23 dealing 22:11 66:19 debrief 48:6 debt 33:22 52:4,13 53:1 55:6 55:22 68:9 76:21 debts 54:5 dec 85:18 decades 74:5 December 72:9 89:4 89:16 90:11 90:17 decent 76:17 decide 82:5 88:3,4,8 decided 4:10 18:4 deciding 82:22 decision 42:3 49:2 50:18 68:3 75:13 81:9,14 82:3,7 83:6 91:17 decisions 45:16 51:14 dedicated 14:23 16:11 17:1 18:8 dedication	16:10 defined 19:4 definitely 80:21 DEI 59:6,8 59:10 deliberate 72:6,20 deliberations 42:2 Departmen... 10:14 depending 88:2 Deputy 10:12 43:15 design 14:18 designed 5:21 designee 4:10 10:14 66:1 designees 85:12 desire 82:4 details 62:7 83:18 developme... 58:5 deviation 29:21 difference 27:12 67:22 75:22 differences 8:18 different 12:14 20:19 20:20,21 25:3 27:22 28:11 33:17 36:17 56:20 63:24 64:8 67:17 80:13 92:10 differentiate 11:15 differently 50:10 DiFusco 2:9 3:22 6:14 6:17 7:3,10 7:14 8:23 9:22,24 10:24 41:19 42:19 43:8	44:5 72:1 72:12,17 73:3,17 75:10 81:11 83:9 84:9 84:22 86:11 86:15 87:17 87:22 88:14 88:21,24 91:7 95:15 96:10 diligence 34:24 direct 34:8 34:11 57:1 97:17 directing 61:8 direction 10:5 23:21 41:2 61:20 directly 47:21 61:6 70:22 85:5 director 2:6 10:13 43:16 45:13 69:12 Director's 4:10,22 directors 59:14 disaggregat... 28:2 disagree 70:12 disappointed 80:21 disclosure 74:21 disconnects 53:11 discount 44:19 50:12 discretion 6:9 discretionary 79:22 discretionary 14:15 67:16 discuss 48:19 72:6 discussed 10:6 43:17 43:17 47:7 68:22 83:23	discussion 48:18 68:2 72:19 80:16 80:23 81:8 91:6 discussions 24:3 64:6 distancing 47:17 distressed 33:22 34:14 diverse 14:18 23:2,7 58:19 60:11 60:12,14,20 62:2 diversified 28:3,4,21 33:20 diversity 13:4 19:11,20 21:6,11,12 21:13,14 22:19 44:23 58:4 59:11 61:15 81:2 81:16 dividend-fo... 39:12 dividens 40:1 doing 17:13 17:14 21:5 22:19 30:9 32:21 47:11 51:12 61:18 dollar 63:10 domestic 63:5,17 dominate 42:16 Donn 2:4 3:22 7:22 10:10 42:21 43:13 72:2 72:18 77:23 78:7 81:13 81:18 85:1 85:6 86:16 95:18 dots 38:16 double 31:20 dramatic 5:8 drastically 92:13	drive 59:16 driven 55:8 55:15 driving 49:1 63:19 dropped 7:1 86:3 dropping 4:20 due 4:7 34:23 E E 2:1,1 97:1 earlier 55:3 EARNEST 94:1 easier 29:4 easily 60:21 easy 11:12 55:9,9,19 economic 47:18 economy 66:19 edification 84:7 education 22:5 58:23 effect 50:15 effectively 71:8 effort 78:1 efforts 13:5 46:14 58:21 58:22 59:16 eight 14:3 either 9:13 33:6 71:1 76:17 81:15 82:1 85:18 86:7 elaborate 54:2 60:1 elected 14:7 68:23 element 52:3 elevated 59:7 email 82:2 85:20 emergency 79:10 emerging 37:17 emphasizing	52:4,13 employee 73:22 employees 12:17,22 14:3 59:13 encouraging 76:11 ended 93:23 endowment 18:24 ends 37:6 engagement 65:3 enhance 64:10 enjoy 42:4 ensure 20:23 22:11 33:18 34:24 ensuring 20:2 20:19 22:8 22:24 enter 43:6 entire 12:9 entities 47:19 entry 40:4 environment 52:19 equal 83:4 equated 63:3 equities 25:18,22 27:9,13,18 27:20 28:13 53:9 68:24 71:7 equity 7:7 13:5 14:9 14:13 27:4 27:10,11 29:7 30:11 30:12 31:10 31:14,21 33:13 37:18 42:24 44:24 46:15 51:8 55:5,21 57:16 58:4 59:11 61:15 63:5,5,17 63:18 71:2 76:21 81:21 93:23
---	---	---	---	---	--	--	--

37:24 92:14	55:6 56:2	75:19 79:3	firm 11:14	flip 10:4 11:2	60:21 69:12	funds 14:19	21:10 24:19
essence 44:7	expected	79:5 83:19	12:9 13:1	44:8 46:23	four 6:4	15:2,3,5,9	37:1,9,11
65:6 71:19	24:17 26:3	84:19	13:19 14:8	50:8 53:18	11:10 59:1	17:19 18:1	37:12 38:3
essentially	29:17,19	feed 58:13	14:11 15:3	56:4	70:5 75:21	18:23 35:2	38:19 41:3
21:9 56:23	30:4 54:13	feedback	16:3 17:6	floating	75:23	52:24 76:5	50:1 53:17
estate 30:14	54:15 55:21	48:7	22:12 45:13	91:11	fourth 90:12	further 33:2	54:11,24
30:15	56:14,23,24	feel 16:8 20:9	59:16 61:24	floor 10:17	92:14 94:2	47:6,12	56:10 62:13
et 10:16	expecting	33:18 38:5	62:2,4 86:7	flow 24:7	Fran 9:17	49:3 64:6	65:9 70:24
67:18	27:13	74:23 80:12	firm's 15:4	29:14	10:12 17:12	75:7,17	71:12 81:15
ethnic 21:12	expects 52:8	80:19 81:3	60:7	focus 13:23	31:6 42:19	81:1	93:9
evaluating	experience	feels 80:13	firms 4:8,11	19:20 23:5	43:15 45:6	furthering	goal 20:9,12
80:20	35:13	fees 6:1 17:3	4:14,23 9:5	focused 16:14	45:9 66:14	59:10	24:2 28:18
evaluation	explains	17:8 35:24	12:14,20	16:16 17:2	69:10 70:4	future 51:3	31:10 57:14
25:4 59:12	54:16	36:9 37:3,9	15:7 16:1	20:18 22:21	70:23 72:18		62:6 71:5
events 84:21	explore 61:5	37:13,16,21	17:20 18:4	39:24,24	78:22 80:16	G	goals 23:6
89:2	90:19	37:22,23	18:11,17	92:11 93:12	81:18	gain 22:1	29:2 67:18
eventually	exploring	38:3,5,7,9	19:5 80:20	focuses 92:10	Fran's 45:5,7	gains 94:4	goes 8:2 30:8
32:7	5:16	41:11 44:17	81:23 83:17	focusing 15:1	Francis 2:6	Gallagher	67:3
everybody	extent 55:9	47:3 48:24	86:18 87:24	16:4	Frankly 71:2	74:11	going 3:21
11:4 72:12	external	64:3 75:7	first 3:6 9:19	folks 10:15	frequent 65:1	gap 24:12	4:1 5:5,7
77:10 88:21	21:22 22:12	75:22 77:20	10:11 11:2	43:12 82:2	frequently	29:14 80:8	11:3 12:24
evidence 97:4	eye 38:4 74:6	78:4,6,9,24	11:4 34:9	follow 82:9	29:13 68:8	Garcia 94:20	13:3 16:8
Exactly 40:21	F	81:20 82:11	34:12 42:15	follow-up	FRIENDS	gender 21:13	18:18 21:19
example 4:18	F 97:1	82:13,18	42:17 43:15	81:17	1:22	general 1:18	21:21 24:1
20:2 39:5	faced 68:14	83:8 84:3,7	45:24 46:24	following	front 18:10	65:18 66:6	24:10,14
54:5	facing 21:22	85:8,10,14	47:2 84:18	19:11 44:15	fulfill 24:11	76:2 78:2	29:3 31:1
examples	fact 12:17	85:16,22	first/best/fi..	62:4 69:1	full 1:21	79:22	33:15 34:13
18:3	75:15 76:3	86:20 91:1	84:13	94:3	34:23 62:7	generally	38:3 40:5,5
exceed 51:24	76:8,9	felt 71:13	Firstly 59:6	footprint	69:20 90:4	57:3,5	41:3 45:2
53:4	77:16	73:12 79:12	fiscal 4:21	23:1	92:24 94:6	66:18 67:4	51:2,4
excited 20:13	factor 82:22	79:16	9:11 50:16	force 49:1	94:8	67:15	53:13 59:3
44:12	83:5 92:12	figure 49:9	63:12,13	forecasted	fully 38:4	getting 9:3	62:19 63:12
exciting 59:4	factual 76:6	final 6:1	fit 60:12	25:6	97:4	17:18 27:16	65:5 73:20
exclusively	fails 37:6,11	38:12 83:11	five 12:18	foregoing	fund 1:2,12	29:11,23	75:12 82:22
46:8	fairly 91:21	84:23 86:3	70:5 73:24	97:6,13	3:5 8:5	35:2 50:5	82:23 85:17
excuse 42:22	fall 34:2,5	final's 15:20	five-minute	formal 58:11	11:9 12:1	Girl 20:11	89:19 90:22
72:4	fall 34:2,5	Finalist 3:20	10:18	59:8	12:10 14:20	give 10:18	Golden 77:7
executive	35:3 37:19	finally 15:18	fixed 5:11	formally	14:24 15:15	43:18,22	Goldsmith
10:13 20:17	familiar	Finance 4:9	8:14,14	50:15 58:8	16:6 18:6	50:19 70:3	45:23 46:2
59:7	43:10 66:2	4:22 10:14	27:17,19,21	60:2	18:21 19:2	70:6 78:10	50:3 56:3
executives	far 9:4 66:5	43:16	29:12 36:4	formation	19:3 29:13	78:11 80:8	61:2 66:13
20:16	fast 87:10	financial	36:9 51:9	58:10	64:3 65:21	given 14:10	68:11 69:15
existing	favor 3:15	47:18,23	52:5 53:9	formerly	66:10,10	50:24 54:12	70:17 71:21
69:17	favorability	55:16,18	56:1 63:6	74:10	67:10 71:18	55:18,19	89:17 91:13
exit 42:12	67:1,1	find 27:1,17	63:18 70:10	formula	74:7 76:14	66:10 68:8	93:19
72:14	favorable	finding 60:24	70:14,23	86:12	76:15,24	70:10 77:14	good 3:2 7:10
expect 17:5	17:3 93:3	fine 25:22	71:3 94:12	forth 76:22	77:2,4,9	83:7 93:7	9:22,23
25:9 26:1	Fed 52:7 54:8	31:10 35:9	94:13 95:8	fortunate	78:2,3,5,12	gives 95:5	13:13 17:16
26:14 30:20	54:11	35:11 65:12	95:9,10	12:7 16:18	87:1 89:8	glad 36:2	17:16 19:18
51:3 54:10	fee 6:12,24	82:5 91:13	flags 79:13	forward 38:6	89:22	94:10	32:6 34:4
55:21 92:22	48:8,14,17	Finney-Co..	79:23	41:17 51:2	funded 23:17	global 37:18	42:9 44:5,6
expectations	49:11,18,21	11:24 13:3	flash 25:19	53:14 59:16	23:22 76:14	46:15	45:18 65:12
32:19 54:17	64:4 73:6,9	19:14,17	38:24 39:4	65:3,5	funding 53:3	globe 47:20	73:19 75:24
54:21 55:1	74:14 75:17	42:9	39:10 77:18	found 18:11	76:17	go 6:10 10:9	77:17 78:13