

NOTICE OF REGULAR MEETING

AGENDA

CITY OF GALVESTON EMPLOYEES' RETIREMENT FUND
FOR NON-CIVIL SERVICE EMPLOYEES
TO BE HELD AT 100 P.M, TUESDAY, AUGUST 4, 2020

Notice is hereby given in accordance with the Order of the Governor issued March 16, 2020, that the Board of Trustees of the City of Galveston Employees' Retirement Fund for Police will conduct the meeting by telephone/video conference order to advance the public health goal of limiting face-to-face meetings (also called "social distancing") to slow the spread of the Corona Virus/COVID-19. There will be no meeting or public access to the location described above.

INSTRUCTIONS FOR PARTICIPATING IN THIS MEETING ARE PROVIDED BELOW.

1. Quorum Determination
2. Call to order
3. Open Public Forum/Comments
4. Approval of minutes of June 2, 2020 meeting
5. Discussion and possible action on previous recommendations made by Rudd and Wisdom in actuarial report related to amending the Plan to increase or eliminate the cap on the amount of benefits that can be accrued and paid under the plan
6. Discussion and possible action on previous recommendations made by Rudd and Wisdom in actuarial report related to updating the contribution sections Article IV and XII of the Plan document for compliance with PRB funding guidelines
7. Discussion and possible action on filling Board Position vacated by James Patterson
8. Discussion and possible action on annual audit by Whitley Penn
9. Presentation and possible action on Investment Management Audit
10. Discussion and possible action on Internal Control Checklist
11. Discussion and possible action on revised Investment Policy
12. Performance report from the Quantitative Group
13. Action on recommendations by the Quantitative Group
14. Compiled financial statements
15. ~~Next~~ meeting date November 3, 2020
16. Adjournment

Executive Session-Pursuant to Chapter 551, Subchapter D, Texas Government Code

At any time during the meeting, the Board may convene in closed session to deliberate any of the matters listed on this agenda as authorized by Chapter 551 of the Texas Government Code, including Sections 551.071 (consultation with attorney), 551.072 (deliberation regarding real property), 551.073 (deliberation regarding prospective gifts), 551.074 (deliberation regarding personnel matters), or 551.087 (deliberation regarding economic development negotiations).

Ann S. Masel, CPA
Administrator

Please Note

Members of the City Council may be attending and participating in the discussion.

To call in to Zoom Meeting :

Or dial the following numbers and enter the:

Meeting ID: 853 9350 7566 **PASSCODE:** 441753

Phone: 1 346 248 7799 US (Houston)

This written notice of the meeting agenda packet, are posted online at:

www.galvestontx.gov/agendacenter

The public will be permitted to offer public comments telephonically as provided by the agenda and as permitted by the presiding officer during the meeting

I certify that the above Notice of Meeting was posted in a place convenient to the public in compliance with Chapter 551 of the Texas Government Code on July_____

Janelle Williams, City Secretary

IN ACCORDANCE WITH THE PROVISIONS OF THE AMERICANS WITH DISABILITIES ACT (ADA), PERSONS IN NEED OF A SPECIAL ACCOMMODATION TO PARTICIPATE IN THIS PROCEEDING SHALL, WITHIN THREE (3) DAYS PRIOR TO ANY PROCEEDING, CONTACT THE CITY SECRETARY'S OFFICE, SUITE 201; 823 ROSENBERG; GALVESTON, TEXAS 77550; (409) 797-3510

MINUTES OF THE CITY OF GALVESTON EMPLOYEES' RETIREMENT FUND
BOARD OF TRUSTEES OF GALVESTON, TEXAS

Meeting Date (Virtual meeting)
June 2, 2020

The following members were present:

Don Davison
Mike Loftin
Robert Simmons
Jeff Ammerman
Lewis Rosen
Rodney Low

The following members were absent:

None

Also attending was Ron Kern (Graystone Consulting) and Mark Fenlaw and Rebecca Morris (Rudd and Wisdom)

It was determined that a quorum was present, and the meeting was called to order at 1:09 by Vice-Chair Robert Simmons. It was determined that due to the nature of virtual meeting rather than "live" meeting, all votes would be taken as roll call votes.

It was announced that James Patterson had resigned from the Board due to increased responsibilities at work. The Trustees were asked to bring names of potential new members to the next meeting.

Motion for approval of February 4, 2020 minutes was made by Lewis Rosen; second by Robert Simmons. Roll call vote passed unanimously.

Don Davison entered the meeting.

Ann Masel gave an update regarding the Investment Management Audit performed by Roland/Criss. Ron Kern and Ann have been working with them to document the current best practices. The auditors will present at the next meeting.

Ron Kern, with the Quantitative Group, presented the Performance Evaluation. The following illustrates the returns and balances for the quarter:

<u>Manager</u>	Market Value	Actual	Benchmark	
iShares Core S&P 500 ETF	6,833,646	-19.59%	Standard & Poors 500	-19.60%
iSharesMSCI USA Min ETF	7,388,514	-17.19%	Standard & Poors 500	-19.60%
Vanguard Mid Cap	6,888,594	-25.71%	Russell MidCap	-27.07%
iShares Core S&P Small-Cap	3,283,782	-32.78%	S&P Small Cap 600	-32.64%
iShares Core MSCI EAFE E	2,229,634	-23.53%	MSCI ACWF ex-US	-23.35%
iShares Core MSCI Emerg.	1,094,106	-24.72%	MSCI EM Net	-23.60%
Baird Aggregate Bond	3,361,865	1.49%	Barclays US Aggre	3.15%
Met West Total Rtn Bdl	3,644,179	2.32%	Barclays US Aggre	3.15%
TIAA CREF Bond Fund	3,255,975	-0.91%	Barclays US Aggre	3.15%
Brandywine Global Opp	1,844,435	-11.36%	SB World Govt Bond	2.00%
PIMCO Income Fund	2,428,344	-7.66%	Barclays US Aggre	3.15%
FPA Crescent	1,925,891	-20.51%	HFRI Equity Hedge	-13.92%
Salient Technical Growth	1,246,093	-0.41%	HFRI Equity Hedge	-13.92%
Wells Fargo Absolute Re	1,275,171	-15.97%	HFRI Equity Hedge	-13.92%
Cash	1,095,658			
Total	47,795,887			

Ron discussed the performance report. He pointed out that total fees are approximately .37% and fees have been very carefully controlled. The Fund performance was down 16.42% for the quarter through 3/31 but was down 7.00% for the year to date through May 21. This illustrates the advantage of diversification and not to try to time the market. Fixed income yielded a return of 3.15%, offsetting the negative equity returns. There were no other recommendations for the quarter.

Total rate of return since inception has been 6.39%; total over 10 years has been 5.67%.

Mark Fenlaw and Rebecca Morris from Rudd and Wisdom presented the actuarial report dated December 31, 2019. In explanation of the cover letter, they stated that the fund is in good shape with an amortization period of 16.5 years. The contribution rate of 15% exceeds normal cost of 9.8% leaving 5.2% to amortize the unfunded liability. There have been no changes in the assumptions from prior years, and the actuaries are comfortable with the current 7.25% investment return.

The letter contained two recommendations: 1) increasing the \$50,000 cap to \$60,000 or removing the cap and 2) updating the contribution sections Article IV and XII of the Plan document for compliance with PRB funding guidelines.

Discussion ensued as to the method of increasing the cap. Included in the recommendation was an increase in contributions which would eliminate the cap or to increase the cap to \$60,000 without an increase in cost. The Actuary noted that this choice (increase in cap) would increase the amortization period to 20.4 years, and this is a change with which the actuaries concur.

Robbie Simmons moved to accept the Actuarial Report; second by Rodney Low. Motion passed unanimously by roll call vote.

Lewis Rosen moved to raise the cap to \$60,000, effective October 1, 2020; motion second by Robert Simmons. Roll call in favor of change was Davison, Ammerman, Rosen, Simmons, Low. Opposed was Mike Loftin. (Subsequent to the meeting, this vote was challenged by the City Administration. Consequently, the vote is nullified, and this topic will be addressed at a future meeting if decided by the Board)

Mark Fenlaw was asked to fix contribution language in Articles IV and XII of the Plan and present to the Board at the next meeting.

The next regular meeting was set for Tuesday, August 4, 2020.

Compiled financial statements for the quarter showed a decrease in changes in net assets for the quarter of \$9,717,696 and a decrease of \$9,717,696 for year to date.

With no further business or requests, the meeting was adjourned at 3:00

Ann Masel, Plan Administrator

Ann Masel

From: Mark Fenlaw <mfenlaw@ruddwisdom.com>
Sent: Friday, July 24, 2020 11:38 AM
To: Ann Masel; 'Don Davison'; 'Smith, Stefan'; donandjanene@yahoo.com
Cc: 'Rebecca Morris'
Subject: RE: City Employee Plan agenda
Attachments: cap-compare.pdf; val-12-31-2019-pp 1-9.pdf

Ann,

Attached is a PDF of a one-page exhibit comparing the current \$50,000 annual cap to the \$60,000 annual cap we mentioned in the 12/31/2019 actuarial valuation report. We had mentioned the increase in the unfunded liability pay off period from 16.5 years to 20.4 years. The exhibit is a more complete disclosure of the effects of increasing the cap to \$60,000 per year. This page would be for agenda item ~~3~~ ⁵ 4

For agenda item ~~12~~ ⁵, the recommendation for updating the contribution sections of the plan document is on page 3 of the 12/31/2019 actuarial valuation report. It might be inappropriate to attach only that one page to the agenda; so I have made a PDF of the cover letter of the report. It includes both the cap and plan document recommendations. If Stefan thinks the entire report should be attached, then you have an electronic copy that could be attached.

Mark

Mark R. Fenlaw, F.S.A.

Rudd and Wisdom, Inc.
p: 512.346.1590 f: 512.345.7437
w: www.ruddwisdom.com

From: Ann Masel <amasel@hlb-cpa.com>
Sent: Monday, July 20, 2020 12:50 PM
To: 'Don Davison' <ddavison@gc.edu>; 'Smith, Stefan' <spsmith@lockelord.com>; 'donandjanene@yahoo.com' <donandjanene@yahoo.com>
Cc: 'Mark Fenlaw' <mfenlaw@ruddwisdom.com>
Subject: City Employee Plan agenda

I know that Don is on vacation in the Hill Country until our meeting, but.....
Will ya'll please take a look and see if there's anything we need to add to the agenda?
Remember, since it will be ZOOM, all of the attachments have to be posted with the agenda, so I'd rather be ready earlier rather than last minute.

Thanks!
Ann

Ann S. Masel, CPA

HL&B | Partner

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Summary of December 31, 2019 Actuarial Valuation

	\$50,000 Annual Dollar Cap	\$60,000 Annual Dollar Cap
Actuarial Accrued Liability	\$ 70,813,036	\$ 72,217,798
Actuarial Value of Assets	\$ 54,890,649	\$ 54,890,649
Unfunded Actuarial Accrued Liability (UAAL)	\$ 15,922,387	\$ 17,327,149
Current Contributions (Percent of Pay)		
a. Employees	6.00%	6.00%
b. City of Galveston	9.00	9.00
c. Total	15.00%	15.00%
Normal Cost (Percent of Payroll)	9.80%	10.07%
Percent of Payroll to Amortize the UAAL	5.20%	4.93%
Years to Amortize the UAAL	16.5 years	20.4 years
Funded Ratio	77.5%	76.0%

	Scenario					
	1	2	3	4	5	6
Assumed Investment Return for Calendar Year						
2020	7.25%	0.00%	0.00%	7.25%	0.00%	0.00%
2021	7.25	7.25	4.00	7.25	7.25	4.00
2022	7.25	7.25	4.00	7.25	7.25	4.00
2023	7.25	7.25	4.00	7.25	7.25	4.00
2024 and later	7.25	7.25	7.25	7.25	7.25	7.25
Annual Dollar Cap	\$50,000	\$50,000	\$50,000	\$60,000	\$60,000	\$60,000
Amortization Period in Years as of December 31:						
2019 (actual)	16.5	16.5	16.5	20.4	20.4	20.4
2020 (projected)	14.3	15.5	15.5	17.9	19.3	19.3
2021 (projected)	12.4	14.8	15.3	15.7	18.8	19.4
2022 (projected)	11.2	14.9	16.6	14.6	19.2	21.3
2023 (projected)	8.9	13.5	16.8	11.9	17.5	21.8

The City of Galveston Employees' Retirement Plan for City Employees

**Actuarial Valuation
as of December 31, 2019**

May 27, 2020



R&W

Rudd and Wisdom, Inc.

Rudd and Wisdom, Inc.

CONSULTING ACTUARIES

Mitchell L. Bilbe, F.S.A.
Evan L. Dial, F.S.A.
Philip S. Dial, F.S.A.
Charles V. Faerber, F.S.A., A.C.A.S.
Mark R. Fenlaw, F.S.A.
Brandon L. Fuller, F.S.A.
Shannon R. Hatfield, A.S.A.

Christopher S. Johnson, F.S.A.
Oliver B. Kiel, F.S.A.
Dustin J. Kim, A.S.A.
Edward A. Mire, F.S.A.
Rebecca B. Morris, A.S.A.
Amanda L. Murphy, F.S.A.

Michael J. Muth, F.S.A.
Khiem Ngo, F.S.A., A.C.A.S.
Timothy B. Seifert, A.S.A.
Chelsea E. Stewart, A.S.A.
Raymond W. Tilotta
Ronald W. Tobleman, F.S.A.
David G. Wilkes, F.S.A.

May 27, 2020

Board of Trustees
The City of Galveston Employees'
Retirement Plan for City Employees
c/o Ms. Ann S. Masel, CPA
1011 Tremont
Galveston, Texas 77550

Re: Actuarial Valuation as of December 31, 2019

Dear Trustees:

At your request, we have prepared this report which presents the results of our actuarial valuation of the City of Galveston Employees' Retirement Plan for City Employees (the Plan) as of December 31, 2019. The purpose of this actuarial valuation is to determine whether the Plan has an adequate contribution arrangement. It also presents the actuarial condition of the Plan and recommends a contribution rate by the City of Galveston which together with the 6% contribution rate by the members would be part of a contribution policy expected to be an adequate contribution arrangement for the long-term future.

Actuarial Condition of the Plan

The best indicator of the actuarial condition of a plan like yours in which the contribution rates are assumed to be fixed is the actuarially determined period for amortizing the unfunded actuarial accrued liability (UAAL). This December 31, 2019 valuation reflects an actuarially assumed total contribution rate of 15%, comprised of 6% by the employees and of 9% by the city. The total contribution rate of 15% exceeds the normal cost rate of 9.80%, leaving 5.20% available to amortize the UAAL of \$15,922,387. Assuming that the total payroll increases at the rate of 2.75% per year in the future, the contributions in excess of the normal cost **will amortize the UAAL in 16.5 years.**

In order for a retirement plan to have an adequate contribution arrangement, contributions must be made that are sufficient to pay the plan's normal cost and to amortize the plan's

UAAL over a reasonable period of time. Based on the Texas Pension Review Board guidelines, our professional judgment, and the actuarial assumptions and methods used in making this valuation, we consider periods of 10 years to 25 years to be preferable and 30 years to be the maximum acceptable period. Since the total contributions are sufficient to pay the Plan's normal cost and to amortize the Plan's UAAL within the maximum acceptable period, **we are of the opinion that the Plan, based on present levels of benefits and contributions, has an adequate contribution arrangement.**

Recommendations

An important part of reporting on the actuarial condition of the Plan is discussing how the current design is increasingly limited for the long-term future and how the design could be made more viable. The Plan was evidently amended in 2003 in response to an inadequate contribution arrangement resulting from investment losses during the 2000-2002 economic recession. One primary change was to cap the amount of the monthly benefit at \$4,166.67 (\$50,000 per year). While the cap has helped the Plan to have an adequate contribution arrangement in the five most recent actuarial valuations, it is gradually eroding the value of the Plan for the employees of the city, particularly for those who will work for a long period of years for the city or have a higher pay level. It did not have any immediate effect on those who retired in the first ten years after 2003, but as time has passed, the cap has limited the accrued benefit for a few people and a few retirees. Unless the cap is removed, it will limit the projected retirement benefit for more and more employees and future retirees. The cap was a temporary fix.

There are several ways that the cap could be removed. One approach would be with an increase in the contribution rate that would allow the complete removal of the cap. The increase in contributions could be all by the city or could be shared by the city and the active participants. However, the total increase would be somewhat less if the city would provide all of the increase because of the anticipated future refunds of employee contributions to employees who terminate before becoming vested.

We studied the cost of removing the cap the last three years by increasing the city contribution rate. We have updated the study based on this December 31, 2019 actuarial valuation. If the city were to increase its contribution rate effective January 1, 2021 to 10.90%, then the cap could be removed immediately and the \$4.9 million higher without-cap UAAL would be amortized in 20 years. Alternatively, the city contribution rate could be increased in two steps. For example, a city contribution rate of 10% effective January 1, 2021 and 11% effective January 1, 2022 would also be expected to amortize the without-cap UAAL in 20 years.

Another way to remove the cap is incrementally. Based on this actuarial valuation, if the board were to authorize an increase in the cap from \$4,166.67 per month to \$5,000.00 per month, the effect would be an increase in the unfunded liability pay off period from 16.5 years to 20.4 years. Over time, the board would have similar opportunities to increase the cap by allowing the pay off period to increase to an acceptable level that would still provide a significant cushion for future adverse experience. The funding policy adopted by the board earlier this year specifically allows the board to consider such an increase with the current favorable actuarial condition of the Plan. **We recommend that the board consider these potential ways to increase or remove the cap and take steps this year to make the Plan viable for the long-term future with the originally intended benefit design.**

The provisions in the current plan document regarding the contributions to the Plan in Articles IV and XII are fairly brief, not completely clear, out of date, and out of compliance with the Pension Review Board Funding Guidelines. **We recommend that these provisions be updated. Consideration could also be given to an increased city contribution rate described above in order to remove the dollar cap on benefits.**

Actuarial Assumptions and Methods

As a part of each actuarial valuation, we review the actuarial assumptions used in the prior actuarial valuation. As a result of our review, we have selected actuarial assumptions we consider to be reasonable and appropriate estimates of future experience for the Plan for the long-term future. Their selection complies with the applicable actuarial standards of practice. Significant actuarial assumptions used in the valuation are:

1. 7.25% annual investment return net of investment-related expenses;
2. 2.75% annual general compensation increase plus pay increases due to promotions and merit increases that vary by length of service and average of 1.4% per year over a 25-year career;
3. Retirement rates which result in an average expected age at retirement of 63;
4. The mortality assumption consisting of the PubG-2010 below-median income tables for employees and for retirees, projected for mortality improvement generationally using the projection scale MP-2018; and
5. An aggregate payroll increase of 2.75% per year.

The actuarial assumptions used in the December 31, 2018 valuation were reviewed, as described in our letter dated April 17, 2020, and we recommended no changes. A summary of all the assumptions and methods used in the valuation is shown in Section IV. In our opinion the assumptions used, both in the aggregate and individually, are reasonable estimates of anticipated experience of the Plan over the long-term future.

Plan Provisions

The plan provisions are the same as they were in the December 31, 2018 actuarial valuation. Section V of the report contains an outline of the principle eligibility and benefit provisions.

Change in Amortization Period

The amortization period, based on present plan provisions, was determined in the actuarial valuation as of December 31, 2018 to be 16.8 years. Since one year has passed since that valuation date, a 15.8-year amortization period would be expected if all actuarial assumptions had been exactly met, no changes had occurred (other than those expected) in the employee and pensioner data, and no changes in assumptions or methods had been made. The amortization period is now 16.5 years. The actual experience occurring between December 31, 2018 and December 31, 2019 differed from the expected experience, resulting in the amortization period of 16.5 years, which is 0.7 of a year more than the expected 15.8-year period for the following reasons:

1. The annual rate of investment return, net of investment-related expenses, on the market value of assets during 2019 was 20.35%. However, the actuarial value of assets (AVA) used in the valuation and the determination of the amortization period is based on an adjusted market value. The annual rate of return on the AVA, net of investment-related expenses, for 2019 was 6.40%, less than the assumed rate of return of 7.25%. This resulted in an **increase** in the amortization period of 0.6 of a year.
2. The aggregate payroll increased 0.8% instead of the assumed 2.75% per year rate, which caused the amortization period to **increase** by 0.5 of a year.
3. The net result of all experience other than the investment experience and the aggregate payroll experience had the combined effect of a **decrease** in the amortization period of 0.4 of a year.

Projected Actuarial Valuation Results

In addition to completing this actuarial valuation, we estimated the UAAL amortization periods in the next four annual actuarial valuations by making projections from the December 31, 2019 actuarial valuation. These projections examine the effect on the amortization period in the next four actuarial valuations of the actuarial investment gains and losses that the Plan experienced in the four years prior to the valuation date (loss in 2018 and gains in 2016, 2017, and 2019) that have been only partially recognized as of December 31, 2019. The mathematical smoothing method used to determine the actuarial value of assets (AVA) for this valuation is shown on page 15. This method phases in over a five-year period any investment gains or losses (net actual investment return greater or less than the actuarially assumed investment return) that the Plan has had. The AVA used in this current valuation is deferring recognition of various portions of the gains and losses in 2016-2019 that the Plan experienced. The AVA used in this valuation is \$54,890,649. The market value of assets (MVA) is \$57,497,904. The \$2,607,255 difference between the MVA and the AVA is the net gain of the deferred gains and losses that will be recognized in the next four actuarial valuations.

The theory behind the AVA method is to allow time for investment gains and losses to partially offset each other and thereby dampen the volatility associated with the progression of the MVA over time. In practice, the timing and amounts of investment gains and losses can result in irregular effects on the AVA in a given year. However, the pattern of the AVA is usually smoother over time than the pattern of the MVA as shown in the graph at the end of Section III (page 16).

For the purpose of projecting the amortization period through 2023 we used six scenarios of various assumed annual rates of investment return, net of investment-related expenses, over the 2020-2023 projection period. The projected amortization periods will not be the same as the actual amortization periods from completed future actuarial valuations but are projected future actuarial valuation results based on the completed December 31, 2019 actuarial valuation. These projections show the expected effects over the next four years after the valuation date (1) of the recognition of the portions of the past investment gains and losses over the past four years that are deferred as of December 31, 2019, and (2) of investment returns over the next four years different from the 7.25% assumption used in this valuation.

	Scenario					
	1	2	3	4	5	6
Assumed Investment Return for Calendar Year						
2020	7.25%	0.00%	0.00%	-4.00%	-10.00%	-10.00%
2021	7.25	7.25	4.00	4.00	4.00	0.00
2022	7.25	7.25	4.00	4.00	4.00	0.00
2023	7.25	7.25	4.00	4.00	4.00	0.00
2024 and later	7.25	7.25	7.25	7.25	7.25	7.25
Amortization Period in Years as of December 31:						
2019 (actual)	16.5	16.5	16.5	16.5	16.5	16.5
2020 (projected)	14.3	15.5	15.5	16.1	17.1	17.1
2021 (projected)	12.4	14.8	15.3	16.8	19.2	19.9
2022 (projected)	11.2	14.9	16.6	19.0	23.2	25.8
2023 (projected)	8.9	13.5	16.8	20.0	26.1	32.4

The projected future December 31, 2023 valuation, four years later, in Scenario 1 reveals that instead of decreasing by the expected four years from 16.5 years to 12.5 years, the amortization period is projected to decrease to 8.9 years due to the recognition of the \$2.6 million deferred net gain in those four years. This result is not surprising when you consider that if the AVA were set equal to the MVA, recognizing all of the past gains and losses in this December 31, 2019 actuarial valuation, the amortization period would have been 12.9 years instead of 16.5 years. The primary conclusion from Scenario 1 is that without any gains or losses the amortization period would be expected to decrease by more than one year each year through 2023 because of the timing and amount of the investment gains and losses in the prior four years as shown on page 15.

One of the characteristics of a plan like yours with a relatively high funded ratio is that future amortization periods are sensitive to investment gains and losses even with their gradual recognition over five years. For example, the Plan had a rate of return of 20.35% in 2019. Without any investment gains or losses in the next four years, the amortization period is projected to decrease from 16.5 years to 8.9 years as shown in Scenario 1. A year earlier, the Scenario 1 showed the amortization period of 16.8 years as of December 31, 2018 projected to increase to 19.7 years four years later.

We do not know what the investment experience will be for each of the next four fiscal years. However, Scenarios 2-6 give examples of what could happen to the UAAL

amortization period with varying adverse results of the effects of the COVID-19 pandemic on the economy of the U.S. and the world. Variations in experience from the underlying assumptions, other than investment return, will cause the actual amortization periods to be different from the periods shown above. In addition, the future investment experience in each of the next four fiscal years could be better or worse than the assumed rates shown. These scenarios present a range of plausible, adverse scenarios for the next four valuations assuming no changes in contributions or in the number of actives.

The primary conclusion from the scenarios is that since the Plan has both an amortization period under 20 years and a deferred net gain in the AVA, the Plan is somewhat less vulnerable to future adverse experience than it was a year ago.

Actuarially Determined Contribution (ADC) Rates

The PRB recommended in their report to the Texas Legislature at the end of 2014 that actuarial valuation reports for fixed contribution rate plans should disclose contribution levels required for a variety of appropriate amortization periods. Since the preferred range for the UAAL amortization period is 10 to 25 years in the PRB's pension funding guidelines with a new maximum of 30 years, we have shown ADC rates that would have been required beginning January 1, 2020 for amortization periods of 10, 20, and 30 years based on this December 31, 2019 actuarial valuation.

UAAL Amortization Period	ADC Rate by the City	Employee Contribution Rate	Total ADC Rate
10 Years	11.37%	6.00%	17.37%
20 Years	8.38%	6.00%	14.38%
30 Years	7.44%	6.00%	13.44%

In 2015, the Legislature passed HB 3310 which amended Sections 801 and 802 of the Government Code. It included a new sentence in Section 802.101(a) which requires an actuarial valuation to include a recommended rate needed to have an amortization period for the UAAL that does not exceed 30 years. The city currently contributes 9% of payroll and has for a number of years. Since our assumed continuation of this rate results in an actuarially determined amortization period of less than 30 years, we recommend a city contribution rate of at least 9% of payroll, the current city's contribution policy.

The board adopted a funding policy for the Plan earlier this year that includes a benchmark ADC rate with an initial closed amortization period of 30 years beginning January 1, 2020.

That rate is shown above as 13.44%. Since the total fixed contribution rate is 15% resulting in an actuarially determined amortization period of 16.5 years, the board may consider an increase in the dollar cap on benefits as indicated in the funding policy. For example, with the current 15% contribution rate, increasing the dollar cap to \$5,000 a month would increase the amortization period to 20.4 years.

Variability in Future Actuarial Measurement

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following:

- Plan experience differing from that anticipated by the current economic or demographic assumptions;
- Increases or decreases expected as part of the natural operation of the methodology used for these measurements;
- Changes in economic or demographic assumptions; and
- Changes in plan provisions.

Analysis of the potential range of such future measurements resulting from the possible sources of measurement variability was provided on pages 5-7 in the projected amortization periods for the next four annual actuarial valuations under six scenarios. The projections were designed to assess the risk of variance of potential future investment rates of return in the four years following the actuarial valuation date from the assumed 7.25% rate and the potential effect on the amortization period. Additional or other sensitivity analysis could be performed in a subsequent report if desired by the Board of Trustees.

Summary

As a result of our December 31, 2019 actuarial valuation of the Plan, we have determined that the continuation of the city contribution rate of 9% together with the employee contribution rate of 6% is adequate to pay the normal cost and to amortize the UAAL in 16.5 years; so the Plan has an adequate contribution arrangement. However, the present plan design is increasingly limited because of the dollar cap on benefits that was added in 2003. We recommend that the board work with the city to remove the dollar cap. We have included in the report two ways to change the contribution policy that would remove the dollar cap and thereby make the plan design more viable for the long-term future. In addition, the favorable actuarial condition of the Plan allows the board to consider increasing the dollar cap to \$5,000 a month without an increase in the contribution rates.

Board of Trustees
Page 9
May 27, 2020

The actuarial valuation of the Plan has been performed in accordance with actuarial standards of practice and in accordance with guidelines for pension funding established by the Texas Pension Review Board applicable to Texas public employee pension plans. We look forward to presenting the highlights of this report to the board at your June 2 meeting and answering any questions you may have.

Respectfully submitted,
RUDD AND WISDOM, INC.

Mark R. Fenlaw

Mark R. Fenlaw, F.S.A.

Rebecca B. Morris

Rebecca B. Morris, A.S.A.

MRF/RBM:nlg

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Section I – Certification of Actuarial Valuation as of December 31, 2019

At the request of the Board of Trustees, we have performed an actuarial valuation of The City of Galveston Employees' Retirement Plan for City Employees as of December 31, 2019. The purpose of this report is to determine whether the Plan has an adequate contribution arrangement. It also presents the actuarial condition of the Plan and recommends a contribution rate by the city which, together with the 6% contribution rate by the members, would be part of a contribution policy expected to be an adequate contribution arrangement for the long-term future.

We have based our valuation on employee participant data as of December 31, 2019 provided by the City of Galveston and on changes in pensioner participant data and preliminary asset information for the Plan as of December 31, 2019 provided by Ms. Ann S. Masel, the board's administrator for the Plan. We have relied on the accuracy of the participant data and the unaudited assets provided. We have used the actuarial methods and assumptions described in Section IV of this report. The actuarial valuation has been performed on the basis of the plan provisions summarized in Section V.

To the best of our knowledge, no material biases exist with respect to any imperfections in the census data provided. We have not audited the data provided but have reviewed it for reasonableness and consistency relative to the census data received for the December 31, 2018 actuarial valuation.

All current employees eligible to participate in the Plan as of the valuation date and all other individuals who have a current or deferred vested benefit under the Plan have been included in the valuation. Further, all plan benefits have been considered in the development of plan costs.

To the best of our knowledge, the actuarial information supplied in this report is complete and accurate. In our opinion the assumptions used, in the aggregate and individually, are reasonable estimates of anticipated experience of the Plan over the long-term future, and their selection complies with the applicable actuarial standards of practice.

We hereby certify that we are members of the American Academy of Actuaries who meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinions contained herein.



Mark R. Fenlaw, F.S.A.
Member of American Academy of Actuaries



Rebecca B. Morris, A.S.A.
Member of American Academy of Actuaries

Section II – Summary of Actuarial Valuations

	December 31, 2018	December 31, 2019
1. Participant Census at Valuation Date		
a. Covered employees	531	516
b. Vested terminated due deferred benefit	62	66
c. Terminated due refund	156	166
d. Retirees and beneficiaries in pay status	346	356
e. Total	1,095	1,104
2. Annualized Covered Payroll	\$ 26,061,778	\$ 26,261,755
3. Actuarial Present Value of Future Benefits		
a. Active employees	\$ 48,056,248	\$ 49,620,688
b. Terminated (vested deferred benefit or refund)	3,325,468	3,059,184
c. Retirees and beneficiaries	33,329,716	34,308,314
d. Total	\$ 84,711,432	\$ 86,988,186
4. Actuarial Present Value of Future Normal Cost	\$ 16,364,009	\$ 16,175,150
5. Actuarial Accrued Liability (Item 3e – Item 4)	\$ 68,347,423	\$ 70,813,036
6. Actuarial Value of Assets	\$ 52,374,631	\$ 54,890,649
7. Unfunded Actuarial Accrued Liability (UAAL) (Item 5 – Item 6)	\$ 15,972,792	\$ 15,922,387
8. Current Contributions (Percent of Pay)		
a. Employees	6.00%	6.00%
b. City of Galveston	9.00	9.00
c. Total	15.00%	15.00%
9. Normal Cost (Percent of Payroll)	9.81%	9.80%
10. Percent of Payroll to Amortize the UAAL (Item 8c – Item 9)	5.19%	5.20%
11. Years to Amortize the UAAL	16.8 years	16.5 years
12. Funded Ratio (Item 6 ÷ Item 5)¹	76.6%	77.5%

¹ The funded ratio is not appropriate for assessing either the need for or the amount of future contributions or the adequacy of the current contribution rates. Using the market value of assets instead of the actuarial value of assets for item 12 results in funded ratios of 71.0% as of December 31, 2018 and 81.2% as of December 31, 2019.

Section III – Plan Asset Information

Statement of Changes in Assets for the Years Ended December 31, 2019 and 2018

	<u>12/31/2019¹</u>	<u>12/31/2018¹</u>
Additions		
1. Contributions		
a. Employer	\$ 2,424,690	\$ 2,367,759
b. Employees	<u>1,616,461</u>	<u>1,578,505</u>
c. Total	\$ 4,041,151	\$ 3,946,264
2. Investment Income		
a. Interest and dividends	\$ 1,318,159	\$ 1,170,713
b. Net appreciation in fair value	<u>8,583,152</u>	<u>(3,493,677)</u>
c. Total	\$ 9,901,311	\$ (2,322,964)
3. Other Additions	<u>0</u>	<u>0</u>
Total Additions	\$ 13,942,462	\$ 1,623,300
Deductions		
4. Benefit Payments	\$ 4,683,296	\$ 4,411,524
5. Expenses		
a. Investment-related	\$ 109,820	\$ 108,872
b. Administrative	<u>165,770</u>	<u>138,864</u>
c. Total	\$ 275,590	\$ 247,736
Total Deductions	\$ 4,958,886	\$ 4,659,260
Net Increase in Assets	\$ 8,983,576	\$ (3,035,960)
Market Value of Assets (Plan Net Position)		
Beginning of Year	\$ 48,514,328	\$ 51,550,288
End of Year	\$ 57,497,904	\$ 48,514,328
Rate of Return		
Net of All Expenses	19.97%	(5.01)%
Net of Investment-Related Expenses	20.35%	(4.75)%
Gross	20.60%	(4.54)%
Investment-Related Expenses (Direct)	0.25%	0.21%

¹ Preliminary

Section III – Plan Asset Information (Continued)

Summary of Asset Data

Asset Type	Market Value of Assets as of December 31, 2019	Allocation as a Percent of Grand Total
Equities		
Large Cap Domestic	\$ 17,522,419	30.5%
Mid Cap Domestic	9,272,115	16.1
Small Cap Domestic	4,907,237	8.5
International	4,369,043	7.6
Total	36,070,814	62.7
Fixed Income	14,913,107	26.0
Alternatives	5,191,716	9.0
Cash and Equivalents	1,322,267	2.3
Grand Total	\$ 57,497,904¹	100.0%

¹ The grand total is the preliminary unaudited amount. All of the investment amounts except cash are from the December 31, 2019 report from the investment consultant. Cash is the balancing item.

Comparison of Asset Values as of the Prior and Current Actuarial Valuation Dates		
	<u>December 31, 2018</u>	<u>December 31, 2019</u>
Market Value	\$ 48,514,328	\$ 57,497,904
Actuarial Value	\$ 52,374,631	\$ 54,890,649
Actuarial Value as a Percent of Market Value	108.0%	95.5%

Section III – Plan Asset Information (Continued)

Development of Actuarial Value of Assets

Calculation of Actuarial Investment Gain/(Loss) Based on Market Value for Plan Years Ending December 31				
	2019	2018	2017	2016
1. Market Value of Assets as of Beginning of Year	\$ 48,514,328	\$ 51,550,288	\$ 45,640,192	\$ 42,942,347
2. City Contributions	2,424,690	2,367,759	2,274,927	2,059,527
3. Employee Contributions	1,616,461	1,578,505	1,518,519	1,371,184
4. Benefit Payments and Administrative Expenses	(4,849,066)	(4,550,388)	(4,239,743)	(4,066,695)
5. Expected Investment Return*	3,488,002	3,715,496	3,292,736	3,196,827
6. Expected Market Value of Assets as of End of Year	\$ 51,194,415	\$ 54,661,660	\$ 48,486,631	\$ 45,503,190
7. Actual Market Value of Assets as of End of Year	57,497,904	48,514,328	51,550,288	45,640,192
8. Actuarial Investment Gain/(Loss)	\$ 6,303,489	\$ (6,147,332)	\$ 3,063,657	\$ 137,002
9. Market Value Rate of Return Net of Expenses	20.35%	(4.75)%	14.00%	7.82%
10. Rate of Actuarial Investment Gain/(Loss)	13.10%	(12.00)%	6.75%	0.32%

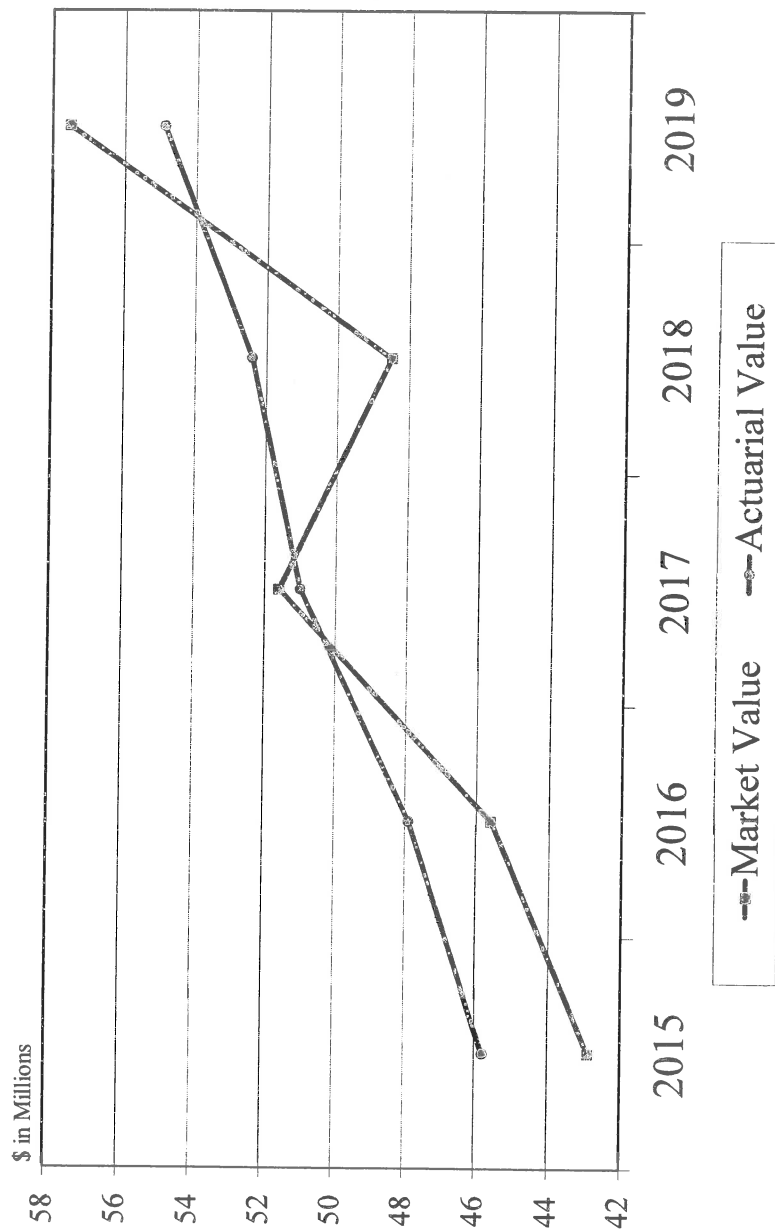
* Assuming (1) uniform distribution of contributions and payments during the plan years and (2) actuarially assumed investment return of 7.5% per year net of investment-related expenses for 2016 and 7.25% for 2017- 2019.

Plan Year	Investment Gain/(Loss)	Deferral Percentage	Deferred Gain/(Loss) as of 12/31/2019
2019	\$ 6,303,489	80%	\$ 5,042,791
2018	(6,147,332)	60%	(3,688,399)
2017	3,063,657	40%	1,225,463
2016	137,002	20%	27,400
Total			\$ 2,607,255

Actuarial Value of Assets as of December 31, 2019	
11. Market Value of Assets as of December 31, 2019	\$ 57,497,904
12. Deferred Gain/(Loss) to be Recognized in Future	2,607,255
13. Preliminary Value (Item 11 – Item 12)	\$ 54,890,649
14. Corridor for Actuarial Value of Assets	
a. 80% of Market Value as of December 31, 2019 (minimum)	\$ 45,998,323
b. 120% of Market Value as of December 31, 2019 (maximum)	\$ 68,997,485
15. Actuarial Value as of December 31, 2019	\$ 54,890,649
16. Write Up/(Down) of Assets (Item 15 – Item 11)	\$ (2,607,255)

Section III – Plan Asset Information (Continued)

Historical Comparison of Market and Actuarial Value of Assets
(Valuation as of December 31)



Section IV - Actuarial Methods and Assumptions

A. Actuarial Methods

1. Actuarial Cost Method

The Entry Age Actuarial Cost Method is an actuarial cost method in which the actuarial present value of projected benefits of each active employee included in the valuation is allocated as a level percentage of compensation between age at hire and assumed termination. Each active employee's normal cost is the current annual contribution in a series of annual contributions which, if made throughout the employee's total period of employment, would fund his expected benefits. Each employee's normal cost is calculated to be a constant percentage of his expected compensation in each year of employment. The normal cost for the Plan is the sum of the normal costs for each active employee for the year following the valuation date. The normal cost as a percent of payroll reflects that contributions are made biweekly.

The Plan's actuarial accrued liability is the excess of the actuarial present value of projected benefits over the actuarial present value of all future remaining normal cost contributions. The unfunded actuarial accrued liability (UAAL) is the amount by which the actuarial accrued liability exceeds the actuarial value of assets. The UAAL is recalculated each time a valuation is performed. Experience gains and losses, which represent deviations of the UAAL from its expected value based on the prior valuation, are determined at each valuation and are amortized as part of the newly calculated UAAL.

2. Amortization Method

The UAAL is assumed to be amortized with level percentage of payroll contributions (total assumed contribution rate less normal cost contribution rate) based on assumed payroll growth of 2.75% per year. This assumed growth rate is attributable to the 2.75% general compensation increase assumption and an assumed stable number of active participants in future years. The actuarial determination of the amortization period reflects that contributions are made biweekly.

3. Actuarial Value of Assets Method

All assets are valued at market value with an adjustment made to uniformly spread actuarial gains or losses (as measured by actual market value investment return vs. expected market value investment return) over a five-year period. The total adjustment amount shall be limited as necessary such that the actuarial value of assets shall not be less than 80% of market value nor greater than 120% of market value. See page 14.

B. Actuarial Assumptions

As a part of each actuarial valuation, we review the actuarial assumptions used in the prior actuarial valuation. We are guided in our review and selection of assumptions by the relevant actuarial standards of practice. As a result of our review, we have selected actuarial assumptions we consider to be reasonable and appropriate estimates of future experience for the Plan for the long-term future.

The investment return assumption is reviewed using the building block approach that includes several asset allocations, assumed real rates of return for each asset class, an assumed rate of investment-related expenses for each asset class, and an assumed rate of inflation, with all assumptions for the long-term future. Our economic assumptions are influenced both by long-term historical experience and by future expectations of investment consultants and economists, but we select the economic assumptions and present them to the board as part of the actuarial valuation.

1. Investment Return

7.25% per year net of investment-related expenses.

2. Inflation

2.75% per year included in compensation increases and investment return assumptions.

3. Mortality Rates

PubG-2010 below-median income tables for employees and for retirees, projected for mortality improvement generationally using the projection scale MP-2018.

4. Compensation Increases

General increases of 2.75% per year in addition to promotion and merit increases that average 1.4% per year over a 25-year career. See Table 1 (page 19). The additional promotion and merit increases were first selected for the December 31, 2015 actuarial valuation and were based on the pattern of such increases assumed by the Texas County and District Retirement System (TCDRS).

5. Retirement Rates

Age	Rate per Year for Employees Eligible to Retire
55-59	3%
60-61	10
62-64	20
65-69	30
70-74	95
75	100

The average expected retirement age for employees not yet eligible to retire based on these rates is 63.

6. Termination Rates

See Table 1 (page 19). These rates were first selected for the December 31, 2015 actuarial valuation and were based on the pattern of termination rates assumed by TCERS.

7. Disability Rates

See Table 1 (page 19). These rates were first selected for the December 31, 2015 actuarial valuation and were the disability rates assumed by TCDRS.

8. Percent Married

85% of the active participants are assumed to be married when a death benefit could be paid to a spouse, with male participants assumed to have a spouse three years younger and female participants to have a spouse three years older. For retirees and vested terminated participants, spouse date of birth is provided at date of termination for those married.

9. Payment Form for Monthly Benefits Due to Retirement, Disability, or Vested Termination

- Joint and 50% to surviving spouse for the 85% assumed to be married
- Life annuity for the 15% assumed to be single

10. Surviving Child's Death Benefit

None are assumed as a result of future deaths.

11. Employees' Contribution Rate

6% of covered pay.

12. City's Contribution Rate

9% of covered pay for at least as long as the period required to amortize the UAAL.

13. Covered Payroll for First Year Following Valuation Date

Actual pay for 2019 for each active member as of December 31, 2019 increased 1.5% to reflect the 2% general compensation increase effective October 1, 2019, (but not less than the annual rate of salary as of December 31, 2019).

14. Administrative Expenses

The expenses paid by plan assets for other than investment-related expenses are assumed to be 0.60% of payroll. The normal cost rate as a percent of payroll is assumed to be 0.60% of payroll higher to reflect these expenses.

15. Increase in Future Retirement Benefits Due to Definition of Average Monthly Compensation

1%.

Table 1
Disability and Termination Rates per 1,000 Active Members
Compensation Increases by Years of Service

Disability Rates		Termination Rates		Compensation Increases	
Attained Age	Rate per 1,000	Years of Service	Rate per 1,000 ¹	Years of Service	Increase Percent
20	0.00	0	250	1	6.35%
21	0.00	1	175	2	6.35
22	0.00	2	135	3	6.35
23	0.00	3	115	4	6.35
24	0.00	4	95	5	6.35
25	0.00	5	80	6	4.81
26	0.00	6	70	7	4.81
27	0.00	7	63	8	4.81
28	0.10	8	56	9	4.81
29	0.10	9	50	10	4.81
30	0.11	10	45	11	3.78
31	0.12	11	41	12	3.78
32	0.12	12	37	13	3.78
33	0.14	13	33	14	3.78
34	0.18	14	29	15	3.78
35	0.24	15	25	16	3.26
36	0.29	16	23	17	3.26
37	0.36	17	21	18	3.26
38	0.43	18	19	19	3.26
39	0.49	19	17	20	3.26
40	0.56	20	15	21	2.75
41	0.63	21	14	22	2.75
42	0.70	23	13	23	2.75
43	0.77	23	12	24	2.75
44	0.84	24	11	25	2.75
45	0.92	25	10	26	2.75
46	1.01	26	8	27	2.75
47	1.12	27	6	28	2.75
48	1.26	28	4	29	2.75
49	1.44	29	2	30	2.75
50	1.65	30 & over	0	31	2.75
51	1.87			32	2.75
52	2.13			33	2.75
53	2.40			34	2.75
54	2.66			35	2.75
55	2.92			36	2.75
56	3.13			37	2.75
57	3.30			38	2.75
58	3.46			39	2.75
59	3.61			40	2.75
60	3.73	45 & over		41	2.75
61	3.80			42	2.75
62	3.80			43	2.75
63	3.80			44	2.75
64	3.80				2.75

¹ Applicable when not eligible for retirement.

Section V – Outline of Principal Plan Eligibility and Benefit Provisions as of December 31, 2019

1. Identifying Information

- a. Plan name: The City of Galveston Employees' Retirement Plan for City Employees
- b. Type of plan: Defined benefit pension benefits
- c. Plan sponsor: City of Galveston
- d. Plan Year: January 1 - December 31

2. Participation

- a. Minimum Age: none
- b. Probationary Service: none
- c. Eligible Employee: All full-time employees except for those (i) covered by the separate retirement plans for police and for firefighters, (ii) performing emergency services as temporary employees, (iii) compensated on a fee basis; or (iv) leased.

3. Contributions

- a. Active Member: 6% of pay
- b. City: all amounts necessary, together with the members' 6% contributions, to pay the normal cost and interest on the unfunded actuarial accrued liability; however since October 2009 the city has contributed 9% of pay

4. Eligibility for Retirement or Disability

- a. Normal Retirement: age 65 plus five or more years of service
- b. Early Retirement: age 55 or above plus ten or more years of service or age 62 plus five or more years of service
- c. Disability: eligible for Social Security disability benefits

5. Retirement or Disability Benefit Monthly Amounts

- a. Normal Retirement: 2.25% of average monthly compensation per year of service, payable the first of each month, not to exceed \$4,166.67 per month
- b. Late Retirement: same as Normal Retirement
- c. Early Retirement: amount equal to monthly normal retirement benefit accrued at early retirement date reduced by $1/180^{\text{th}}$ for each of the first 60 months and $1/360^{\text{th}}$ for each additional month by which early retirement precedes the member's normal retirement, with the reduced amount not to exceed \$4,166.67 per month.
- d. Disability: benefit before age 65 is 60% of monthly rate of pay in effect at date of disability reduced by any other disability benefit except from Social Security, but net benefit may not exceed \$1,500 per month; benefit after age 65 is the normal retirement benefit the member would have received if he had continued in employment with the city until age 65 and his rate of pay had remained the same as at his date of disability.

6. Payment Options

- a. The normal form of monthly payment for life is joint and 50% to surviving spouse for the member leaving a surviving spouse at date of death.
- b. The member eligible to commence a monthly retirement benefit may elect a lump sum distribution of the member's accumulated contributions and an actuarially reduced monthly benefit.

7. Termination Benefits

- a. Benefit with at least five years of service: vested percentage of accrued benefit deferred to normal retirement age. A member with at least ten years of service may elect a reduced benefit before age 65 on or after age 55 reduced in the same manner as for early retirement.
- b. Vesting Schedule:

Completed Years of Service	Vested Percent
less than 5	0%
5	50
6	60
7	70
8	80
9	90
10 or more	100

A member is always 100% vested in the portion of the accrued benefit attributable to the member's employee contributions.

- c. Accrued Benefit: a monthly benefit payable in the normal form of payment beginning at normal retirement age; the amount of the accrued benefit would be determined using the normal retirement benefit formula using years of benefit service and compensation credited at date of the determination, such as termination of employment.
- d. Benefit with less than five years of service: member will receive his contributions to the Plan as an employee.

8. Average Monthly Compensation

The result calculated using the greater of (a) plan compensation averaged over the five calendar years of service covered by the Plan which produce the highest average monthly compensation and (b) the monthly average of plan compensation over the last five years of service ending on the date of termination of employment by the city.

9. Survivor Benefit for Death in Service

- a. Death with at least five years of service: spouse will receive an immediate monthly benefit for life equal to 50% of the normal retirement benefit the member would have received if he had continued employment with the city until age 65 based on his Average Monthly Compensation as of his date of death.
- b. Death with less than five years of service: beneficiary will receive the member's contributions to the Plan as an employee.

Section VI – Participant Information

Participant Census Summary

	December 31, 2017	December 31, 2018	December 31, 2019
1. Covered Employee Count			
a. Vested	260	266	261
b. Nonvested	<u>271</u>	<u>265</u>	<u>255</u>
c. Total	531	531	516
2. Age and Service of Covered Employees			
a. Average attained age	46.8 years	46.8 years	47.3 years
b. Average benefit service earned	7.7 years	7.7 years	7.9 years
3. Immediate Retirement Benefits			
a. Retirees and beneficiaries in pay status	335	346	356
b. Aggregate monthly benefit	\$ 285,209	\$ 300,202	\$ 311,822
c. Average monthly benefit	\$ 851	\$ 868	\$ 876
4. Deferred Retirement Benefits			
a. Vested terminated participants	54	62	66
b. Aggregate monthly benefit	\$ 31,042	\$ 33,010	\$ 30,910
c. Average monthly benefit	\$ 575	\$ 532	\$ 468
5. Refund of Contributions Payable			
a. Terminated participants	141	156	166
b. Aggregate amount payable	\$ 432,196	\$ 503,067	\$ 423,336

Section VI – Participant Information (Continued)

Participant Census Reconciliation

	Active Members	Current Payment Status	Vested Terminated Members	Total
1. As of December 31, 2018	531	346 ¹	62 ²	939
2. Change of status				
a. retirement	(12)	15	(3)	0
b. disability	0	0	0	0
c. death	(1)	(7)	0	(8)
d. survivor payment begins	0	2	0	2
e. termination and withdrawal	(76)	0	0	(76)
f. vested termination	(7)	0	7	0
g. data correction	0	0	0	0
h. new alternate payee	0	0	0	0
i. payment completed	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
j. net changes	(96)	10	4	(82)
3. New actives	<u>81</u>	<u>0</u>	<u>0</u>	<u>81</u>
4. As of December 31, 2019	516	356 ¹	66 ²	938

- 1 Includes four alternate payees receiving benefits according to the terms of Qualified Domestic Relations Orders (QDRO).
- 2 Includes one alternate payee eligible to receive benefits according to the terms of a QDRO once the participant begins receiving benefits.

Section VI – Participant Information (Continued)

**Distribution of Actives by Age and Service on December 31, 2019
with Average Annual Salary**

Years of Service	Age									Total	Average Salary
	Under 25	25-29	30-34	35-39	40-44	45-49	50-54	55-59	60 or Over		
0	11	6	4	4	6	3	6	4	3	47	\$35,081
1	7	9	10	10	4	6	13	5	3	67	39,097
2	4	7	3	7	6	9	2	6	6	50	46,043
3	3	1	12	5	4	4	5	10	8	52	50,028
4	0	5	9	5	1	2	7	6	4	39	53,908
5	0	2	3	3	3	1	6	5	5	28	60,503
6	0	0	4	1	2	2	1	6	9	25	51,703
7	0	3	1	5	2	2	2	3	3	21	52,314
8	0	1	0	1	2	0	1	5	4	14	58,984
9	0	1	3	1	2	3	4	0	6	20	67,587
10	0	0	1	3	1	2	1	1	2	11	65,258
11	0	0	0	1	1	0	0	0	2	4	47,057
12	0	0	0	2	3	0	2	0	3	10	45,185
13	0	0	1	2	0	3	1	3	2	12	48,393
14	0	0	0	1	1	1	5	1	0	9	58,185
15	0	0	0	0	0	3	3	1	4	11	52,011
16	0	0	0	1	0	3	2	5	2	13	62,633
17	0	0	0	0	3	1	4	3	3	14	62,445
18	0	0	0	1	0	2	2	1	1	7	51,827
19	0	0	0	1	0	0	1	1	5	8	63,862
20-24	0	0	0	0	1	1	6	9	12	29	52,555
25-29	0	0	0	0	0	1	3	2	3	9	63,960
30-34	0	0	0	0	0	0	1	1	8	10	52,736
35+	0	0	0	0	0	0	0	1	5	6	83,496
Totals	25	35	51	54	42	49	78	79	103	516	50,895

Average	\$30,678	\$49,234	\$46,938	\$50,999	\$57,736
Salary	\$40,884	\$48,221	\$52,072	\$56,979	\$50,895

Average age	47.3
Average years of service	7.9
Average age at hire	39.4

Section VII – Glossary of Actuarial Terms

- | | |
|--------------------------------|---|
| 1. Actuarial Accrued Liability | That portion, as determined by the particular actuarial cost method used, of the Actuarial Present Value of future pension plan benefits as of the Valuation Date that is not provided for by the Actuarial Present Value of future Normal Costs. |
| 2. Actuarial Assumptions | Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, termination, disablement and retirement; changes in compensation; rates of investment earnings and asset appreciation; and other relevant items. |
| 3. Actuarially Equivalent | Of equal Actuarial Present Value, determined as of a given date with each value based on the same set of Actuarial Assumptions. |
| 4. Actuarial Gain (Loss) | A measure of the difference between actual experience and that expected based on the Actuarial Assumptions during the period between two Actuarial Valuation dates, as determined in accordance with the particular actuarial cost method used. |
| 5. Actuarial Present Value | The value of an amount or series of amounts payable or receivable at various times, determined as of a given date (the Valuation Date) by the application of the Actuarial Assumptions. |
| 6. Actuarial Valuation | The determination, as of a Valuation Date, of the Normal Cost, Actuarial Accrued Liability, Actuarial Value of Assets and related Actuarial Present Values for a pension plan. |
| 7. Actuarial Value of Assets | The value of cash, investments and other property belonging to a pension plan, as determined by a method and used by the actuary for the purpose of an Actuarial Valuation. |

8. Entry Age Actuarial Cost Method
- An actuarial cost method under which the Actuarial Present Value of the Projected Benefits of each individual included in the Actuarial Valuation is allocated as a level percentage of earnings between entry age and assumed termination. The portion of this Actuarial Present Value allocated to a valuation year is called the Normal Cost. The portion of this Actuarial Present Value not provided for at a Valuation Date by the Actuarial Present Value of future Normal Costs is called the Actuarial Accrued Liability. Under this method, Actuarial Gains (Losses), as they occur, reduce (increase) the Unfunded Actuarial Accrued Liability.
9. Plan Year
- A 12-month period beginning January 1 and ending December 31.
10. Normal Cost
- That portion of the Actuarial Present Value of pension plan benefits that is allocated to a valuation year by the actuarial cost method.
11. Projected Benefits
- Those pension plan benefit amounts that are expected to be paid at various future times according to the Actuarial Assumptions, taking into account such items as the effect of advancement in age and past and anticipated future qualified service.
12. Overfunded Actuarial Accrued Liability
- The excess, if any, of the Actuarial Value of Assets over the Actuarial Accrued Liability.
13. Unfunded Actuarial Accrued Liability
- The excess, if any, of the Actuarial Accrued Liability over the Actuarial Value of Assets.
14. Valuation Date
- The date upon which the Normal Cost, Actuarial Accrued Liability and Actuarial Value of Assets are determined. Generally, the Valuation Date will coincide with the end of a Plan Year.
15. Years to Amortize the Unfunded Actuarial Accrued Liability
- The period is determined in each Actuarial Valuation as the number of years, beginning with the Valuation Date, to amortize the Unfunded Actuarial Accrued Liability with a level percent of payroll that is the difference between the expected total contribution rate and the Normal Cost contribution rate.

Appendix A

Review of the Actuarial Economic Assumptions for the December 31, 2019 Actuarial Valuation

Investment Return Assumption Development

	Gross Annual Real Rate of Investment Return (ROR) ¹	Estimated Investment Expenses ²	Net Real ROR	Asset Allocation		
				12/31/ 2019 ³	Hypothetical Set A	Set B
Domestic Equity						
Large cap (iShares Core S&P 500)	6.5%	0.25%	6.25%	14.9%	15%	15%
Large cap (iShares MSCI USA min. vol.)	6.5	0.36	6.14	15.6	14	15
Mid cap (Vanguard Index)	7.0	0.25	6.75	16.1	14	10
Small cap (iShares S&P Small-Cap)	7.0	0.28	6.72	8.5	7	6
				55.1	50	46
International Equity						
Developed (iShares MSCI EAFE)	7.0	0.28	6.72	5.1	6	10
Emerging (iShares MSCI Emerg.)	8.5	0.35	8.15	2.5	3	3
				7.6	9	13
Fixed Income						
Domestic Intermediate (Baird, Met West, TIAA-CREF)	2.0	0.53	1.47	17.7	19	22
World (Brandywine Global)	2.5	0.80	1.70	3.6	5	5
Multisector (PIMCO Income)	2.5	0.71	1.79	4.6	5	5
				25.9	29	32
Alternatives						
Long/short equity (Salient)	5.5	1.77	3.73	2.2	3	0
Absolute return (Wells Fargo)	3.5	1.31	2.19	2.6	3	0
Balanced allocation (FPA Crescent)	4.5	1.28	3.22	4.2	4	6
				9.0	10	6
Cash	0.5	0.31	0.19	2.4	2	3
				100.0%	100%	100%
Weighted Average Net Real ROR Assumption				4.78%	4.62%	4.55%
Possible Theoretical Annual Investment Return Assumption – Net Real ROR Plus Assumed Annual Rate of Inflation						
Assumed 2.75% Inflation				7.53%	7.37%	7.30%

¹ A gross annual real rate of investment return is the long-term total annual rate of investment return, before any expenses, that is in excess of the assumed annual inflation rate. These are assumptions made by Rudd and Wisdom, Inc.

² These assumed investment-related expenses as a percent of assets are based on the larger of expense ratios from the Quantitative Group and from Morningstar and include both direct and indirect expenses, with an addition of 0.07% for the fees of the custodial bank and 0.14% for the fees of The Quantitative Group.

³ From the December 31, 2019 report of the Quantitative Group.

Appendix A (continued)

Price Inflation in the USA - Average Annual Rates of Increase in the CPI-U

<u>Years (Dec. to Dec.)</u>	<u>Number of Years</u>	<u>Average Annual Increase</u>
1954 – 2019	65	3.54%
1959 – 2019	60	3.68
1964 – 2019	55	3.91
1969 – 2019	50	3.91
1974 – 2019	45	3.62
1979 – 2019	40	3.07
1984 – 2019	35	2.58
1989 – 2019	30	2.40
1994 – 2019	25	2.18
1999 – 2019	20	2.14

Most inflation forecasts are for 10 years or less. For example, the average 10-year forecast in the December 2019 Livingston Survey published by the Federal Reserve Bank of Philadelphia was 2.22%. Similarly, the 2020 Wall Street Consensus Survey for the next decade included an average inflation forecast of 2.1%. However, 10 years is much too short a forecast period for a public employee defined benefit pension plan. In the 2020 annual report of the OASDI Trust Funds (Social Security), the ultimate inflation assumptions for their 75-year projections are 3.0%, 2.4%, and 1.8% for the low-cost, intermediate, and high-cost assumptions, respectively. Looking at the average annual increase in the CPI-U over historical periods of 30 to 65 years above and considering the Social Security forecasts, we believe that reasonable assumed rates of inflation for the long-term future would range from 2.25% to 3.25%. Shorter term considerations make the lower part of that range more desirable.

Administrative Expenses Paid from the Plan Assets

<u>Plan Year</u>	<u>Administrative Expenses Paid from the Plan</u>	<u>Covered Payroll</u>	<u>% of Payroll (2) ÷ (3)</u>
(1)	(2)	(3)	(4)
2019	\$165,770	\$26,941,018	0.62%
2018	138,864	26,308,423	0.53
2017	133,006	25,308,650	0.53
2016	145,136	22,853,063	0.64
2015	127,460	21,925,267	0.58
2014	123,414	20,400,300	0.60
2013	136,324	17,570,017	0.78
2013-2019	\$969,974	\$161,306,738	0.60%

Appendix A (continued)

The assumed future administrative expenses will be added to the normal cost contribution rate as was done for the prior four actuarial valuations. For the December 31, 2019 actuarial valuation, we recommend assuming 0.60% of payroll, the average developed above for the last seven plan years. This is the same assumption as for the prior actuarial valuation. The covered payroll was determined as the employee contributions for the plan year divided by the 6% contribution rate.

Comparison of 12/31/2018 Actuarial Economic Assumptions with 12/31/2019 Actuarial Economic Assumptions

<u>Actuarial Assumption¹</u>	<u>12/31/2018 Actuarial Economic Assumptions</u>	<u>12/31/2019 Actuarial Economic Assumptions</u>
Inflation (Price)	2.75%	2.75%
Net real rate of return ²	<u>4.50</u>	<u>4.50</u>
Net total investment return ²	7.25%	7.25%
Employee pay increase ³	4.15%	4.15%
Aggregate payroll increase	2.75%	2.75%
Administrative expenses (% of payroll)	0.60%	0.60%

¹ All assumptions are annual rates.

² Net of investment-related expenses.

³ For both 12/31/2018 and 12/31/2019, it is a 2.75% annual general pay increase combined with promotion and merit pay increases that average 1.4% per year over a 25-year career.

ARTICLE IV

Contributions

4.1 Contributions by Employer. The Employer, acting under the advice of the Actuary for the Plan, intends to make contributions to the Fund in such amounts and at such time as are required to pay the Employer normal cost and interest on any unfunded actuarial requirement at the rate of interest assumed in the actuarial valuation. The Employer shall also cause to be included in the budget sufficient funds to pay the costs of administration of the Fund, including periodic actuarial evaluations and annual statements to Members as to their status hereunder. The contribution from the Employer is established at an amount of not less than six percent (6%) of the Compensation of the Members of the Plan. 9%

4.2 Contributions by Members. Members of the Plan and Eligible Employees shall make Member contributions to the Fund of six percent (6%) of each Member's Compensation. Member contributions to the Fund shall be a condition of employment for all Members of the Plan and all Eligible Employees hired on and after October 4, 2003.

The Employer shall pick up under the provisions of Code Section 414(h)(2) and pay the contribution which the Member is required by law to make to the Fund. Although the contributions so picked up are designated as Member contributions, such contributions shall be treated as contributions being paid by the Employer in lieu of contributions by the Member in determining tax treatment under the Code and such picked up contributions shall not be includable in the gross income of the Member until such amounts are distributed or made available to the Member or the Beneficiary of the Member. The Member, by the term of this Plan, shall not have any option to choose to receive the contribution so picked up directly and the picked up contributions must be paid by the Employer to the Fund.

Member contributions which are picked up shall be treated in the same manner and to the same extent as Member contributions made prior to the date of which Member contributions were picked up by the Employer. Member contributions so picked up shall be included in gross salary for purposes of determining benefits and contributions under the Plan.

The Employer shall pay the Member contributions from the same source of funds used in paying salary to the Member, by effecting an equal cash reduction in gross salary of the Member.

4.3 Withdrawal of Member Contributions. No Member may withdraw his contributions, if any, from the Fund prior to termination of Service. Contributions withdrawn upon termination of Service shall not include interest thereon, except as provided in Section 2.1(k) of this Plan.

ARTICLE XII

Amendments

12.1 Right to Amend. The Board reserves the right to make from time to time any amendment or amendments to this Plan. However, the City, by and through its City Council, expressly retains the right to reduce, increase, suspend or discontinue contributions, so long as the Plan remains financially sound.

DRAFT 07.28.20

**CITY OF GALVESTON EMPLOYEES'
RETIREMENT PLAN FOR CITY EMPLOYEES**

**FINANCIAL STATEMENTS
AND REQUIRED SUPPLEMENTAL SCHEDULES**

**Year Ended December 31, 2019
with Report of Independent Auditors**

DRAFT 07.28.20

DRAFT 07.28.20

CITY OF GALVESTON EMPLOYEES' RETIREMENT PLAN FOR CITY EMPLOYEES
FINANCIAL STATEMENTS AND REQUIRED SUPPLEMENTAL SCHEDULES
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DRAFT 07.28.20

REPORT OF INDEPENDENT AUDITORS

To the Board of Trustees
City of Galveston Employees' Retirement
Plan for City Employees

Report on the Financial Statements

We have audited the accompanying financial statements of the City of Galveston Employees' Retirement Plan for City Employees (the "Plan"), a component unit of the City of Galveston, which comprise the statement of net position as of December 31, 2019, the related statement of changes in net position for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Plan's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Plan's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

DRAFT 07.28.20

To the Board of Trustees
City of Galveston Employees' Retirement
Plan for City Employees

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Plan, as of December 31, 2019, and the changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary pension information on pages 3 through 4 and 21 through 24, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Houston, Texas
July 28, 2020

DRAFT 07.28.20

CITY OF GALVESTON EMPLOYEES' RETIREMENT PLAN FOR CITY EMPLOYEES
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

This section of the City of Galveston Employees' Retirement Plan for City Employees (the "Plan") provides an overall review of the Plan's financial activities for the year ended December 31, 2019. Readers should consider the information here in conjunction with the financial statements, notes to the financial statements and required supplementary information, in order to enhance their understanding of the Plan's financial performance.

Financial Statements

The Statement of Fiduciary Net Position presents the Plan's assets and liabilities and the resulting net position, which are held in trust for retirement benefits. This statement reflects a year-end snapshot of the Plan's investments, at fair value, along with cash and short-term investments, receivables and other assets and liabilities. The Statement of Changes in Fiduciary Net Position, on the other hand, provides a view of current year additions to and deductions from the Plan. The Plan is a single employer defined benefit pension plan. The Plan is a component unit of the City of Galveston, Texas (the "City"), and, as such, its reports are included in the Fiduciary Funds of the City as restricted assets.

Financial Highlights

The Plan presents its financials solely on the accounts of the Plan. The accrual basis of accounting is used by the Plan, whereby revenues are recognized when they are earned and collection is reasonably assured, and expenses are recognized when the liability has been incurred. Investments are reported at fair value.

A summary of the Statement of Fiduciary Net Position for the Plan is as follows (in 000's):

	2019	2018	Change	
			\$	%
Assets				
Investments, at fair value	\$ 57,505	\$ 48,526	\$ 8,979	19%
Other assets	10	10	-	0%
Total Assets	57,515	48,536	8,979	18%
Liabilities				
Accounts payable	17	22	(5)	-23%
Net position - restricted for pension benefits:	\$ 57,498	\$ 48,514	\$ 8,984	19%

The Plan's net position increased by \$9.0 million, or 19%, in 2019. This was primarily due to an increase in the market value of investments related to favorable market conditions in 2019.

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CITY OF GALVESTON EMPLOYEES' RETIREMENT PLAN FOR CITY EMPLOYEES
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (continued)

A summary of the Statement of Changes in Fiduciary Net Position is as follows (in 000's):

	2019	2018	Change	
			\$	%
Additions				
Total contributions	\$ 4,041	\$ 3,946	\$ 95	2%
Net investment income	9,792	(2,431)	12,223	503%
Total Additions	13,833	1,515	12,318	813%
Deductions				
Benefits	4,683	4,412	271	6%
Administrative expenses	166	139	27	19%
Total Deductions	4,849	4,551	298	7%
Change in net position	8,984	(3,036)	12,020	396%
Net position - restricted for pension benefits, Beginning of the year	48,514	51,550	(3,036)	-6%
Net position - restricted for pension benefits, End of the year	<u>\$ 57,498</u>	<u>\$ 48,514</u>	<u>\$ 8,984</u>	19%

Additions

Net investment income increased by 503% or \$12.2 million in 2019. The stock market in 2019 experienced a significant rebound from the 2018 downturn which accounts for the gains to the plan.

Deductions

Benefits increased by 6% overall. Monthly benefits increased approximately 4% due to an increase in number of retirees and beneficiaries. Lump sums, refunds and rollovers increased 14% due to the number of retirees receiving lump sum payments and refunds to non-vested terminated employees.

Economic Factors and Next Year's Rates

The 2019 plan contribution rates for the City and Employees are 9% and 6% respectively. This is consistent with the prior year. There is no change in contribution rates planned for 2020.

Contacting the Plan's Financial Management

This financial report is designed to provide members and other users with a general overview of the Plan's finances and to show the Plan's accountability for the funds it receives. If you have questions about this report, you may contact the Plan's Administrator at 1011 Tremont, Galveston, TX 77550 or by phone at 409-765-9311.

DRAFT 07.28.20

BASIC FINANCIAL STATEMENTS

DRAFT 07.28.20

CITY OF GALVESTON EMPLOYEES' RETIREMENT PLAN FOR CITY EMPLOYEES
STATEMENT OF PLAN NET POSITION
December 31, 2019

Assets

Investments at fair value:

Money market funds	\$ 1,337,010
Domestic equity mutual Funds	41,262,531
Domestic fixed income mutual funds	12,824,470
International fixed income funds	2,080,920

Total Investments at fair value	<u>57,504,931</u>
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Receivables:

Accrued interest and dividends	<u>10,302</u>
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Total Assets	<u>57,515,233</u>
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Liabilities

Accounts payable	<u>17,327</u>
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Net position - restricted for pension benefits	<u><u>\$ 57,497,906</u></u>
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CITY OF GALVESTON EMPLOYEES' RETIREMENT PLAN FOR CITY EMPLOYEES
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
For the year ended December 31, 2019

Additions

Contributions:

Employer	\$ 2,424,690
Employees	1,616,461
Total contributions	<u>4,041,151</u>

Investment income:

Net change in investments	8,583,152
Interest and dividends	1,288,837
Less investment expenses	<u>(80,498)</u>
Net investment income	<u>9,791,491</u>
Total additions	<u>13,832,642</u>

Deductions

Benefits:

Retirement	4,086,017
Survivor	317,663
Disability	32,718
Rollover	246,898
Administrative expenses	<u>165,769</u>
Total deductions	<u>4,849,065</u>

Change in net position	8,983,577
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Net position restricted for pension benefits

Net position - beginning	<u>48,514,329</u>
Net position - ending	<u>\$ 57,497,906</u>

DRAFT 07.28.20

CITY OF GALVESTON EMPLOYEES' RETIREMENT PLAN FOR CITY EMPLOYEES

NOTES TO THE FINANCIAL STATEMENTS

A. Description of the Plan

The City of Galveston Employees' Retirement Plan for City Employees (the "Plan"), a component unit of the City of Galveston (the "City"), is a single-employer defined benefit pension plan created by City ordinance under the authority of Title 8, Subchapter A of the Texas Government Code, to provide retirement and incidental benefits for employees of the City who are not Participants of the retirement plans for the police department employees or firefighters. The Plan has been designed as a "governmental plan" by the U.S. Department of Labor and, thus, is not subject to the provisions of Title I of the Employee Retirement Income Security Act of 1974 (ERISA).

Effective January 1, 2009, the Plan was amended and restated to allow employees to repurchase years of service under the Plan. Members wishing to repurchase years of service must deposit the present value of the increase in the present value of the member's accrued benefit in the Plan. The amendment also included modifications to the requirements for the payout of lump sum amounts, so that no consent is required for amounts less than \$1,000. The following brief description of the Plan, as amended and restated, is provided for general information purposes only. Participants should refer to the Plan agreement for more complete details.

The City of Galveston, Texas, is the Plan sponsor. All active employees of the City are Participants of the Plan except for part-time employees, temporary employees performing emergency service, employees compensated on a fee basis, employees who are Participants of the City of Galveston Employees' Retirement Plan for Police, employees who are Participants of the Galveston Firefighters' Pension Fund and leased employees. Participation is mandatory for all employees hired after January 1, 1957.

Plan Administration

A Plan Administrator appointed by a seven-Participant Board of Trustees administers the Plan. Some of the more significant responsibilities of the Plan Administrator are:

- to construe and interpret the Plan, decide all questions of eligibility and determine the amount, manner and time of payment of any benefits under the Plan;
- to receive from the City and from Participants such information as shall be necessary for the proper administration of the Plan;
- to receive and review the periodic valuation of the Plan made by the Plan's actuary;
- to receive and review reports of the financial condition and of the receipts and disbursements of the Trust Fund from the Trustee;
- to appoint or employ for the Plan any agent he deems advisable, including, but not limited to, legal counsel, accountants, consultants and actuaries;
- to adopt such rules and regulations for the administration of the Plan as he deems necessary or desirable, with such rules and regulations being subject to review by the Board.

DRAFT 07.28.20

CITY OF GALVESTON EMPLOYEES' RETIREMENT PLAN FOR CITY EMPLOYEES
NOTES TO THE FINANCIAL STATEMENTS (continued)

A. Description of the Plan - continued

Retirement Benefits

Plan Participants are eligible for normal retirement at age 65. Normal retirement date is the last day of the month in which a Participant reaches his 65th birthday and completes five years of vesting service. Payments commence on the first day of the following month. The normal retirement benefit under the Plan equals 2.25% of Average Monthly Compensation multiplied by a Participant's years of benefit service. The maximum normal retirement benefit is \$4,167 per month. Service retirement benefits are payable for the Participant's lifetime. In the event the Participant's death precedes that of his or her spouse, one half of the Participant's pension will be continued to the spouse for his or her lifetime or until remarried.

The Plan permits early retirement after age fifty-five (55) and ten years of vesting service or after age sixty-two (62) and five years of vesting service. If a Participant chooses to receive this benefit on or after early retirement, the Participant receives a benefit equal to the normal retirement benefit multiplied by the Participant's years of Benefit Service as of his early retirement date. If the Participant's pension commences prior to his normal retirement date, the foregoing monthly benefit is reduced by 1/180th for each of the first sixty (60) months and 1/360th for each of the next sixty (60) months preceding age sixty-five (65) calculated from the starting date of the payments. This reduction does not apply to Participants who have completed 20 or more years of vesting service as of December 31, 2003; Participants who completed fifteen years of vesting service as of December 31, 2003, and twenty years of vesting service at date of termination; or individuals who were Participants on June 1, 1994, were hired after the age of 45 and who have completed 10 years of vesting service. Early retirement benefits are payable for the Participant's lifetime. In the event the Participant's death precedes that of his or her spouse, one-half of the Participant's pension will be continued to the spouse for his or her lifetime or until remarried.

An active Participant of the Plan who neither has a right to a Deferred Vested Pension under the Plan nor is drawing a monthly Pension from the Plan may repurchase the period or periods of prior Service he or she served under this Plan. The amount which the Participant must deposit into the fund shall equal the present value, on the date of repayment, of the increase in the present value of the Participant's Accrued Benefit under the Plan which results from the Participant's repurchased service. A Participant who requests the calculation of the amount needed to repurchase prior Service shall bear the cost of the calculation, regardless of whether the Participant actually chooses to make such repurchase. The repayment of Participant contributions shall be deemed an after-tax contribution under the Plan.

A Participant shall be eligible for a deferred vested pension if his employment is terminated for reasons other than death, disability or any of the aforementioned retirement provisions on or after five (5) or more years of service and prior to age sixty-five (65). Payment of the deferred vested pension is to commence at age sixty-five (65). If the Participant has completed at least ten (10) years of service, the deferred vested pension may commence at age fifty-five (55).

DRAFT 07.28.20

CITY OF GALVESTON EMPLOYEES' RETIREMENT PLAN FOR CITY EMPLOYEES
NOTES TO THE FINANCIAL STATEMENTS (continued)

A. Description of the Plan - continued

Retirement Benefits - continued

A Participant who meets the requirements for a deferred vested pension shall receive a non-forfeitable right to the accrued pension benefit payable monthly in accordance with the following schedule:

Years of Vesting Service	Percentage %
Less than 5	0%
5	50%
6	60%
7	70%
8	80%
9	90%
10 or more	100%

If the payment commences prior to age sixty-five (65), the amount determined above shall be reduced by 1/180th for each of the first sixty (60) months and 1/360th for each additional month by which the starting date of pension payment precedes age sixty-five (65).

Optional Forms of Benefits

A Participant who takes normal or early retirement or receives a vested termination benefit under the Plan may elect to receive a lump sum distribution of his or her accumulated contributions and a reduced monthly benefit. If the single sum value of a Participant's benefit is less than \$15,000, the Participant may elect to receive the entire value of his or her accrued benefit paid in a lump sum.

Severance Benefits

The minimum severance benefit is a refund of the Participant's accumulated contributions. After becoming eligible to receive benefits, a retired Participant may elect to receive a refund of his contribution accumulation, if any. Such election must be made prior to the commencement of any benefit payments and the Participant forfeits any further rights or benefits under the Plan. Payments of a Participant's contribution accumulation and other single-sum benefits shall be paid in one lump sum or in installments without interest accruing thereon.

Disability Benefits

A Participant, regardless of the Participant's age and years of service, terminated by reason of total and permanent disability, is eligible for a monthly pension, payable until death or when the disability ceases, whichever occurs earlier, commencing upon the latter of certification of the disability or 90 days after date of disability. The pension amount prior to age sixty-five (65) is calculated at 60% of the Participant's monthly rate of pay at the time of the disability, reduced by any workers' compensation, Railroad Retirement or any other disability plan payments, excluding primary social security disability. The pension amount will not exceed One Thousand Five Hundred Dollars (\$1,500) per month. On and after age sixty-five (65), the pension amount is calculated as for normal retirement benefits assuming a constant rate of pay and service from disability to age sixty-five (65).

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CITY OF GALVESTON EMPLOYEES' RETIREMENT PLAN FOR CITY EMPLOYEES
NOTES TO THE FINANCIAL STATEMENTS (continued)

A. Description of the Plan - continued

Death Benefits

The minimum in-service death benefit after completing five (5) years of service will be Two Thousand Five Hundred Dollars (\$2,500) or the Participant's contribution accumulation, whichever is greater, less any payments paid to or on behalf of the deceased.

The Plan provides for a monthly pension for a surviving spouse or dependent children, if the Participant should die while actively employed and has completed five (5) or more years of service. The monthly benefit, commencing on the first day of the month after the date of death, payable for life or until remarriage, whichever occurs earlier, is equal to fifty percent (50%) of the normal retirement benefits considering average compensation and service at date of death. In the event of surviving children and no surviving spouse, or surviving dependent children upon the death of the surviving spouse, each dependent child is eligible for a monthly pension, payable until the attainment of age eighteen (18) or until such child's death prior to attaining age eighteen (18). If there is more than one child under the age eighteen (18), then such benefit is divided proportionately among those children under age eighteen (18) at the time of Participant's death.

Participation Summary Data

Below is a summary of the participant data for the Plan as of December 31, 2019, the date of the Plan's last actuarial valuation:

Retirees and beneficiaries currently receiving benefits	356
Inactive employees entitled to only a refund of contributions	166
Inactive employees entitled to but not receiving benefits	66
Active employees	516
Total Participants	1,104

B. Summary of Significant Accounting Policies

Basis of Accounting

The Plan's financial statements are prepared using the accrual basis of accounting.

Contributions

Plan Participant contributions are recognized in the period in which the contributions are due. Employer contributions are recognized when due and the employer has made a formal commitment to provide the contributions.

The City and Employees currently contribute 9 percent and 6 percent, respectively of covered compensation to the pension plan.

Benefit payments

Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan.

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CITY OF GALVESTON EMPLOYEES' RETIREMENT PLAN FOR CITY EMPLOYEES
NOTES TO THE FINANCIAL STATEMENTS (continued)

B. Summary of Significant Accounting Policies - continued

Use of Estimates

The preparation of financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Fair Value

Plan investments are presented at fair value or estimated fair value. Fair value measurements are based on the hierarchy established by generally accepted accounting principles.

Investments are reported at fair value. Fair value measurements are based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; level 3 inputs are significant unobservable inputs.

Administrative Expenses

The Plan pays all administrative expenses incurred in the administration of the Plan, including expenses and fees of the trustee. All fees are paid from the trust fund. Expenses are recorded when incurred.

Refunds Paid

Participants are eligible for a refund of their contributions upon termination of service. No interest is paid on refunds. Terminated employees must request a refund of contributions. Contribution refunds are recorded when paid.

C. Cash, Investments and Related Activity

Cash and Cash Equivalents

The Plan considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. Cash equivalents consist of money market funds. Cash balances were covered by federal depository insurance and/or by collateral held by the Plan's agent in the Plan's name.

Investments

The Plan's investment policy provides for investments in fixed income securities and equities. Statutes of the State of Texas authorize the Plan to invest surplus funds in a manner provided by the Government Code, Chapter 802, Subchapter C.

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CITY OF GALVESTON EMPLOYEES' RETIREMENT PLAN FOR CITY EMPLOYEES
NOTES TO THE FINANCIAL STATEMENTS (continued)

C. Cash, Investments and Related Activity - continued

Investments - continued

The Plan's investment policy provides for investments in fixed income securities and equities. Statutes of the State of Texas authorize the Plan to invest surplus funds in a manner provided by the Government Code, Chapter 802, Subchapter C.

Investments are reported at fair value. Fair value measurements are based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; level 3 inputs are significant unobservable inputs.

The Plan's investments at fair value measurements are as follows at December 31, 2019:

<u>Plan Asset</u>	<u>Level 1 Inputs</u>	<u>Level 2 Inputs</u>	<u>Level 3 Inputs</u>	<u>Percentage of Total</u>
Money Market Mutual Fund	\$ 1,337,010	\$ -	\$ -	2%
Domestic equity mutual Funds	41,262,531	-	-	72%
Domestic fixed income mutual funds	12,824,470	-	-	22%
International fixed income funds	2,080,920	-	-	4%
	<u>\$ 57,504,931</u>	<u>\$ -</u>	<u>\$ -</u>	<u>100%</u>

Realized Gains and Losses

During 2019, the Plan realized a net gain of \$100 thousand from the sale of investments. The calculation of realized gains and losses is independent of the calculation of the net increase or decrease in the fair value of investments. Realized gains and losses on investments that have been held in more than one fiscal year and sold in the current year may have been recognized as an increase or decrease in the fair value of investments reported in the prior year. The net increase in the fair value of investments during 2019 was \$8.6 million. This amount takes into account all changes in fair value that occurred during the year. The unrealized gain on investments held at year-end was \$8.5 million.

Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Plan will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the Plan, and are held by either the counterparty or the counterparty's trust department or agent but not in the Plan's name. At December 31, 2019, the Plan's investments that were not subject to custodial credit risk were the investments in corporate and foreign bonds and common equity and preferred stock securities as they are registered in the name of the Plan and held by the agent.

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CITY OF GALVESTON EMPLOYEES' RETIREMENT PLAN FOR CITY EMPLOYEES
NOTES TO THE FINANCIAL STATEMENTS (continued)

C. Cash, Investments and Related Activity - continued

Investments - continued

Concentration of Credit Risk

The allocations of assets among various asset classes are set by the board. The Plan will contract with investment managers to use different investment approaches but maintain a balanced portfolio. Statutes of the State of Texas authorize the Plan to invest surplus funds in a manner provided by the Government Code, Chapter 802, Subchapter C. The Plan provides that no more than 10% of the Plan's market value will be invested in any one common equity security and no more than 30% of the market value will be invested in any one industry.

The following was the Board's adopted asset allocation policy as of December 31, 2019:

<u>Asset Class</u>	<u>Minimum</u>	<u>Maximum</u>
Equities	25%	70%
Fixed Income	25%	60%
Alternatives	0%	30%
Cash	1%	50%

The plan's assets are allocated in the following manner at December 31, 2019:

<u>Plan Asset</u>	<u>Fair Value</u>	<u>Percentage of Total Portfolio</u>
Money market funds	\$ 1,337,010	2%
Domestic equity mutual Funds	41,262,531	72%
Domestic fixed income mutual funds	12,824,470	22%
International fixed income funds	2,080,920	4%
Total Investments at fair value	<u>\$ 57,504,931</u>	<u>100%</u>

Rate of Return

For the year ended December 31, 2019, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 20.35% percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

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CITY OF GALVESTON EMPLOYEES' RETIREMENT PLAN FOR CITY EMPLOYEES
NOTES TO THE FINANCIAL STATEMENTS (continued)

C. Cash, Investments and Related Activity - continued

Interest Rate Risk

The Plan's investment policy does not address interest rate risk beyond the applicable investments above as defined by state statutes and provisions. Information about the exposure of the Plan's debt type investments to this risk, using the segmented time distribution model is as follows:

The Plan's portfolio at December 31, 2019, is allocated in the following manner:

Investment Type	Investment Maturities (in Years)			
	Fair Value	Less than 1	6-10	>10
Money Market Mutual Fund	1,337,010	\$ 1,337,010	\$ -	\$ -
Domestic fixed income funds	12,824,470	-	-	11,937,421
International fixed income funds	2,080,920	-	-	2,080,920
	<u>\$ 16,242,400</u>	<u>\$ 1,337,010</u>	<u>\$ -</u>	<u>\$ 14,018,341</u>

Credit Risk

Generally, credit risk is the risk that an issuer of a debt-type investment will not fulfill its obligations to the holder of the investment. This is measured by assignment of a rating by a nationally-recognized rating organization. The Plan's investment policy allows for investment in bonds rated BBB (or equivalent) or better. Below investment grade allocation in excess of 25% of the aggregate fixed income portfolio must have approval from the Board. The Plan's debt investments' ratings at December 31, 2019, are presented below:

Quality Ratings	Fair Value - Rated Debt Investments		
	Money Market Mutual Fund	Fixed income mutual funds	Totals
AAA	\$ 1,337,010	\$ 6,561,379	\$ 7,898,389
AA	-	568,623	568,623
A	-	2,273,105	2,273,105
BBB	-	2,263,741	2,263,741
BB	-	366,911	366,911
B and under	-	181,970	181,970
Unrated	-	2,689,661	2,689,661
Total Fair Value	<u>\$ 1,337,010</u>	<u>\$ 14,905,390</u>	<u>\$ 16,242,400</u>

D. Net Pension Liability

The components of the net pension liability of the plan at December 31, 2019 were as follows:

Total pension liability	\$ 70,813,036
Plan fiduciary net position	(57,497,906)
Plan net pension liability	<u>\$ 13,315,130</u>

Plan fiduciary net position as a percentage of the total pension liability

81.20%

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CITY OF GALVESTON EMPLOYEES' RETIREMENT PLAN FOR CITY EMPLOYEES
NOTES TO THE FINANCIAL STATEMENTS (continued)

D. Net Pension Liability (continued)

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of December 31, 2019 using the following actuarial assumptions:

Investment rate of return	7.25%	net of pension plan investment expense, including inflation
Inflation	2.75%	
Annual pay increases	2.75%	per year, plus promotion, step and longevity increases that vary by service

The mortality rates were based RP-2000 Combined Healthy Mortality Tables for males and for females (sex distinct), projected to 2024 using Scale AA.

Long Term Expected Rate of Return

The long-term expected rate of return on pension plan investments is reviewed for each annual actuarial valuation and was determined using a building-block method in which expected future net real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These components are combined to produce the long-term expected rate of return by weighting the expected future net real rates of return by the current asset allocation percentage (currently resulting in 4.60%) and by adding expected inflation (2.75%). In addition, the final 7.25% assumption was selected by rounding down and thereby reflects a reduction of 0.10% for adverse deviation. The current allocation and expected arithmetic net real rates of return for each major asset class are summarized in the following table:

Asset Class	Current Allocation	Long-Term Expected Net Real Rate of Return
Equities		
Large cap domestic	30.5%	6.19%
Mid cap domestic	16.1	6.75
Small cap domestic	8.5	6.72
International developed	5.1	6.72
Emerging markets	2.5	8.15
Fixed income		
Core	17.7	1.47
Global	3.6	1.70
Multisector	4.6	1.79
Alternatives	9.0	3.05
Cash	2.4	0.19
Total	100%	
Weighted Average		4.78%

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CITY OF GALVESTON EMPLOYEES' RETIREMENT PLAN FOR CITY EMPLOYEES
NOTES TO THE FINANCIAL STATEMENTS (continued)

D. Net Pension Liability (continued)

Discount Rate

The discount rate used to measure the total pension liability was 7.25%. No projection of cash flows was used to determine the discount rate because the December 31, 2019 actuarial valuation showed that expected contributions would pay the normal cost and amortize the unfunded actuarial accrued liability (UAAL) in 17 years. Because of the 17-year amortization period of the UAAL, the pension plan's fiduciary net position is expected to be available to make all projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments of 7.25% was applied to all periods of projected benefit payments as the discount rate to determine the total pension liability.

Sensitivity of Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the City, calculated using the discount rate of 7.25% as well as what the City's net pension liability would be if it were to be calculated using the discount rate that is 1 percentage-point lower (6.25%) or 1 percentage-point higher (8.25%) than the current rate:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Net pension liability	\$ 21,347,053	\$ 13,315,130	\$ 6,534,588

E. Tax Status

The Plan obtained its latest determination letter dated June 9, 2011, in which the Internal Revenue Service stated that the Plan, as then designed, was in compliance with the applicable requirements of the Internal Revenue Code Section 401(a) and that, therefore, the Plan is tax-exempt.

F. Plan Termination

Although the Board has not expressed any intent to terminate the Plan, upon complete or partial termination of the Plan, each affected Member's accrued benefit, based on his years of Service and Average Monthly Compensation prior to that date of such termination, shall become fully vested and non-forfeitable to the extent then funded.

G. Risks and Uncertainties

The Plan invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the value of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statement of net assets available for benefits.

H. Commitments and Contingencies

As described in Note A, eligible participants are entitled to payment of their accumulated contributions upon termination. As of December 31, 2019, aggregate contributions were approximately \$9.9 million.

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CITY OF GALVESTON EMPLOYEES' RETIREMENT PLAN FOR CITY EMPLOYEES
NOTES TO THE FINANCIAL STATEMENTS (continued)

I. Administrative Expenses

Administrative expenses are paid from Plan assets and were comprised of the following for the year ended December 31, 2019:

	<u>2019</u>
Actuarial services	\$ 46,689
Legal fees	9,818
Accounting and consulting fees	90,862
Audit fees	14,500
Other	3,900
	<u>\$ 165,769</u>

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**REQUIRED SUPPLEMENTARY INFORMATION
(UNAUDITED)**

DRAFT 07.28.20

**CITY OF GALVESTON EMPLOYEES' RETIREMENT PLAN FOR EMPLOYEES
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN THE CITY OF GALVESTON'S EMPLOYEES'
RETIREMENT PLAN FOR EMPLOYEES
Last Six Measurement Years:**

Net Pension Liability and Related Ratios

	2019	2018	2017	2016
Total pension liability				
Service costs (Pension benefits)	\$ 2,315,618	\$ 2,157,580	\$ 1,982,697	\$ 1,782,456
Interest on pension liability	4,953,301	4,640,796	4,423,875	4,388,324
Changes of benefit terms	-	735,115	-	-
Differences between expected and actual experience	(120,010)	(365,588)	636,348	(1,388,765)
Changes of assumptions	-	1,531,884	33,335	1,539,868
Benefit payments, including refunds of member contributions	(4,683,296)	(4,411,522)	(4,106,737)	(3,921,559)
Net change in total pension liability	2,465,613	4,288,265	2,969,518	2,400,324
Total pension liability - beginning	68,347,423	64,059,158	61,089,640	58,689,316
Total pension liability - ending {a}	<u>\$ 70,813,036</u>	<u>\$ 68,347,423</u>	<u>\$ 64,059,158</u>	<u>\$ 61,089,640</u>
Plan fiduciary net position				
Contributions - employer	\$ 2,424,690	\$ 2,367,759	\$ 2,274,927	\$ 2,059,527
Contributions - member	1,616,461	1,578,505	1,518,519	1,371,184
Net investment income	9,791,491	(2,431,839)	6,356,393	3,333,830
Benefit payments, including refunds of member contributions	(4,683,296)	(4,411,522)	(4,106,737)	(3,921,559)
Administrative expenses	(165,769)	(138,864)	(133,006)	(145,136)
Net change in plan fiduciary net position	8,983,577	(3,035,961)	5,910,096	2,697,846
Plan fiduciary net position - beginning	48,514,329	51,550,290	45,640,194	42,942,348
Plan fiduciary net position - ending {b}	57,497,906	48,514,329	51,550,290	45,640,194
Net pension liability - ending {a} - {b}	<u>\$ 13,315,130</u>	<u>\$ 19,833,094</u>	<u>\$ 12,508,868</u>	<u>\$ 15,449,446</u>
Fiduciary net position as a percentage of the total pension liability	81.2%	71.0%	80.5%	74.7%
Covered employee payroll	\$ 26,941,018	\$ 26,308,417	\$ 25,308,650	\$ 22,853,067
Fund's net pension liability as a percentage of covered payroll	49.4%	75.4%	49.4%	67.6%
Annual Money Weighted Net Rate of Return	20.35%	-4.75%	14.00%	7.82%

Note to Schedule: Covered payroll is estimated using employee contributions divided by the contribution percentage.

Note: GASB 67 was implemented in fiscal year 2014, therefore information for entire ten years is not available.

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**CITY OF GALVESTON EMPLOYEES' RETIREMENT PLAN FOR EMPLOYEES
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN THE CITY OF GALVESTON'S EMPLOYEES'
RETIREMENT PLAN FOR EMPLOYEES
Last Six Measurement Years**

	2015	2014
Total pension liability		
Service costs (Pension benefits)	\$ 2,036,695	\$ 2,184,793
Interest on pension liability	4,465,817	4,291,727
Changes of benefit terms	-	-
Differences between expected and actual experience	(932,848)	-
Changes of assumptions	1,385,114	-
Benefit payments, including refunds of member contributions	(4,102,964)	(3,820,447)
Net change in total pension liability	2,851,814	2,656,073
Total pension liability - beginning	55,837,502	53,181,429
Total pension liability - ending {a}	<u>\$ 58,689,316</u>	<u>\$ 55,837,502</u>
Plan fiduciary net position		
Contributions - employer	\$ 1,968,772	\$ 1,836,025
Contributions - member	1,315,516	1,224,018
Net investment income	(856,751)	1,803,409
Benefit payments, including refunds of member contributions	(4,102,964)	(3,820,447)
Administrative expenses	(127,457)	(123,414)
Net change in plan fiduciary net position	(1,802,884)	919,591
Plan fiduciary net position - beginning	44,745,232	43,825,641
Plan fiduciary net position - ending {b}	42,942,348	44,745,232
Net pension liability - ending {a} - {b}	<u>\$ 15,746,968</u>	<u>\$ 11,092,270</u>
Fiduciary net position as a percentage of the total pension liability	73.2%	80.1%
Covered employee payroll	\$ 21,925,267	\$ 20,400,300
Fund's net pension liability as a percentage of covered payroll	71.8%	54.4%
Annual Money Weighted Net Rate of Return	-1.94%	4.16%

Note to Schedule: Covered payroll is estimated using employee contributions divided by the contribution percentage.

Note: GASB 67 was implemented in fiscal year 2014, therefore information for entire ten years is not available.

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**CITY OF GALVESTON EMPLOYEES' RETIREMENT PLAN FOR EMPLOYEES
REQUIRED SUPPLEMENTARY INFORMATION
Last Ten Calendar Years**

Schedule of the City of Galveston's Contributions

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Actuarially determined employer contribution	\$ 2,424,690	\$ 2,367,759	\$ 2,277,779	\$ 2,056,776	\$ 1,728,814
Contributions in relation to the actuarially required contribution	<u>2,424,690</u>	<u>2,367,759</u>	<u>2,274,927</u>	<u>2,059,527</u>	<u>1,968,772</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,852</u>	<u>\$ (2,751)</u>	<u>\$ (239,958)</u>
Covered payroll	\$ 26,941,018	\$ 26,308,178	\$ 25,308,650	\$ 22,853,067	\$ 21,875,244
Contributions as a percentage of covered payroll	9.0%	9.0%	9.0%	9.0%	9.0%
	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Actuarially required contribution	\$ 2,040,170	\$ 2,108,505	\$ 2,026,248	\$ 1,786,959	\$ 1,772,588
Contributions in relation to the actuarially required contribution	<u>1,836,025</u>	<u>1,583,356</u>	<u>1,616,976</u>	<u>1,645,622</u>	<u>1,532,371</u>
Contribution deficiency (excess)	<u>\$ 204,145</u>	<u>\$ 525,149</u>	<u>\$ 409,272</u>	<u>\$ 141,337</u>	<u>\$ 240,217</u>
Covered-employee payroll	\$ 20,400,278	\$ 17,592,844	\$ 17,966,400	\$ 18,284,689	\$ 18,171,916
Contributions as a percentage of covered payroll	9.0%	9.0%	9.0%	9.0%	8.4%

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**CITY OF GALVESTON EMPLOYEES' RETIREMENT PLAN FOR EMPLOYEES
REQUIRED SUPPLEMENTARY INFORMATION
Last Five Calendar Years**

Page 1 of 2

Notes to Schedule of Contributions

Valuation date:	December 31, 2019	December 31, 2018	December 31, 2017
Methods and assumptions used to determine contribution rates:			
Asset valuation method	Fair Value	Fair Value	Fair Value
Actuarial cost method	Entry Age	Entry Age	Entry Age
Amortization method	Level percentage of payroll, open	Level percentage of payroll, open	Level percentage of payroll, open
Inflation	2.75%	2.75%	2.75%
Investment rate of return	7.25%	7.25%	7.25%
Administrative expense	0.6% of payroll	0.6% of payroll	0.6% of payroll
Salary increases	2.75% plus promotion, step and longevity increases that vary by service	2.75% plus promotion, step and longevity increases that vary by service	2.75% plus promotion, step and longevity increases that vary by service
Mortality Rates:	Mortality rates were based on the PubG-2010 below-medium income tables for employees and for retirees, projected for mortality improvement generationally using the projection scale MP-2018	Mortality rates were based on the PubG-2010 below-medium income tables for employees and for retirees, projected for mortality improvement generationally using the projection scale MP-2018	Mortality rates were based on the RP-2000 Combined Healthy Mortality Tables for males and for females (sex distinct) projected to 2024 by scale AA.
Retirement Rates	Early retirement is allowed for employees who terminate (a) at age 55 to 64 with at least 10 years of service or (b) at age 62 to 64 with at least five years of service. A retirement benefit that commences before age 65 is reduced by a formula that approximates actuarially equivalent reduction.	Early retirement is allowed for employees who terminate (a) at age 55 to 64 with at least 10 years of service or (b) at age 62 to 64 with at least five years of service. A retirement benefit that commences before age 65 is reduced by a formula that approximates actuarially equivalent reduction.	Early retirement is allowed for employees who terminate (a) at age 55 to 64 with at least 10 years of service or (b) at age 62 to 64 with at least five years of service. A retirement benefit that commences before age 65 is reduced by a formula that approximates actuarially equivalent reduction.

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**CITY OF GALVESTON EMPLOYEES' RETIREMENT PLAN FOR EMPLOYEES
REQUIRED SUPPLEMENTARY INFORMATION
Last Five Calendar Years**

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Notes to Schedule of Contributions

Valuation date:	December 31, 2016	December 31, 2015	December 31, 2014
Methods and assumptions used to determine contribution rates:			
Asset valuation method	Fair Value	Fair Value	Fair Value
Actuarial cost method	Entry Age	Entry Age	Entry Age Service Actuarial Cost Method
Amortization method	Level percentage of payroll, open	Level percentage of payroll, open	Level percentage of payroll, closed.
Inflation	3.00%	3.25%	3.00%
Investment rate of return	7.25%	7.50%	8.00%
Administrative expense	0.6% of payroll	0.6% of payroll	Assumed to increase 4.0% per year.
Salary increases	3.00% plus promotion, step and longevity increases that vary by service	3.25% plus promotion, step and longevity increases that vary by service	5.25% per year, compounded annually
Mortality Rates:	Mortality rates were based on the RP-2000 Combined Healthy Mortality Tables for males and for females (sex distinct) projected to 2024 by scale AA.	Mortality rates were based on the RP-2000 Combined Healthy Mortality Tables for males and for females (sex distinct) projected to 2024 by scale AA.	Employee and healthy annuitant combined rates from the RP-2000 Mortality Table, projected to 2015 using Scale AA, with the separate rates for males and females.
Retirement Rates	Early retirement is allowed for employees who terminate (a) at age 55 to 64 with at least 10 years of service or (b) at age 62 to 64 with at least five years of service. A retirement benefit that commences before age 65 is reduced by a formula that approximates actuarially equivalent reduction.	Early retirement is allowed for employees who terminate (a) at age 55 to 64 with at least 10 years of service or (b) at age 62 to 64 with at least five years of service. A retirement benefit that commences before age 65 is reduced by a formula that approximates actuarially equivalent reduction.	Active members are assumed to retire once they have both attained age 65 and completed at least 5 years of service. Active members who have already reached their assumed retirement age are assumed to retire on the valuation date.

DRAFT 07.28.20

ROLAND | CRISS

Investment Practices and Performance Evaluation

City of Galveston
Employees Retirement Plan for City Employees
4415 Avenue S
Galveston, TX 77571

August 4, 2020

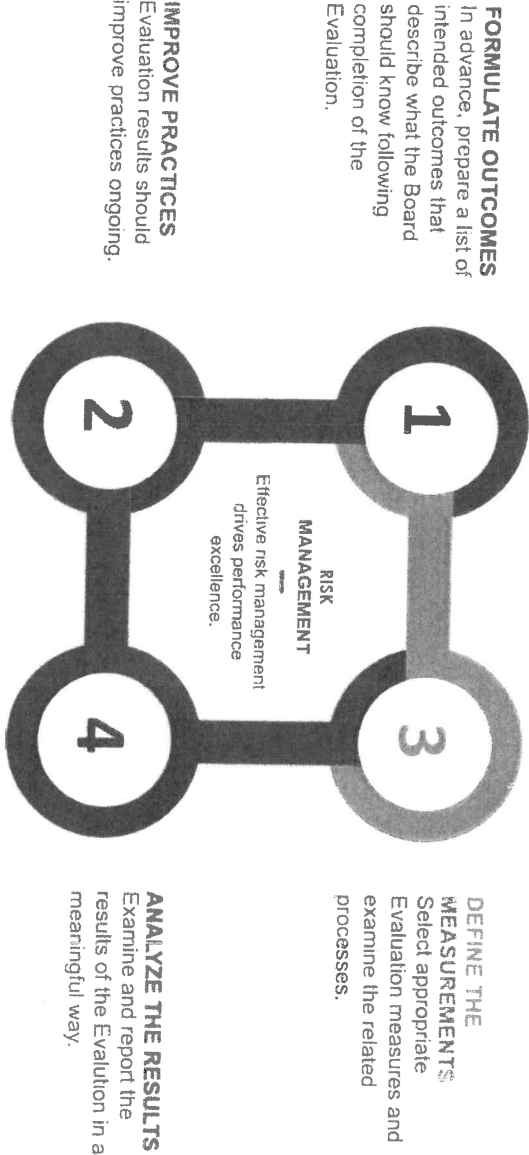


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Overview of the Evaluation

The goal of this evaluation (the "Evaluation"), is to provide the governing body (the "Board") that oversees the City of Galveston Employees Retirement Plan for City Employees (the "Plan"): (1) a clear conceptualization of the outcomes of an investment decision making process that follows guidelines contained in Texas Senate Bill 322, (2) a description of how those outcomes are assessed and measured, (3) a description of the results obtained from the measurements, and (4) a description of how the Evaluation results validate current practices or point to changes needed to improve the management process.



This report is intended solely for the use of the Plan, the Board, and the Texas Pension Review Board. The existence of this report may not be disclosed, nor its contents published in any way without the prior written approval of the Board and Roland|Criss. Roland|Criss does not accept any responsibility to any other party to whom this report would be shown or into whose hands it may be found.

Executive Summary

Background

Texas Senate Bill 322 ("SB 322") was signed into law in June 2019. The law mandates public pension funds to provide comprehensive analysis of the retirement System's investment process that covers all asset classes.

The Uniform Management of Public Employee Retirement Systems Act ("UMPERS") modernizes, clarifies, and standardizes the rules governing the investment and management of public retirement Systems' assets. It provides legal mandates that permit public employee retirement Systems to invest their funds in the most productive and secure manner. Public retirement Systems become trusts operated under rules of prudent investment subject to a fiduciary standard of care.

In this report we present a detailed discussion as to what, in our professional opinion, constitutes generally accepted principles, standards, and best practices of fiduciary conduct as regards managing investment matters in a public setting. It draws upon the following sources for guidance as to what would be considered generally accepted fiduciary standards and principles in regard to investment matters:

- Uniform Management of Public Employee Retirement Systems Act, 1997 ("UMPERS"), drafted by the National Conference of Commissioners of Uniform State Laws to facilitate the incorporation of modern investment practices into State law regulating the management of public retirement Systems.
- Uniform Prudent Investor Act, 1994 ("UPIA"), drafted by the same body as above, and concerned primarily with the investment responsibilities of trustees of private gratuitous trusts, but with some bearing on charitable and pension trusts, among others.
- Uniform Management of Institutional Funds Act, 1972 ("UMIFA"), also drafted by the National Conference of Commissioners of Uniform State Laws to establish guidelines for the management and use of investments held by colleges, universities, hospitals, religious organizations and other institutions of an eleemosynary nature. UMIFA is also intended to apply to a governmental organization that holds funds for eleemosynary purposes, e.g., a public school which has an endowment fund.
- Restatement of Trusts 3d: Prudent Investor Rule, which is the leading authority on U.S. trust law.
- Employee Retirement Income Security Act ("ERISA") which is the federal law regulating the management of private retirement Plans.

SB 322 requires Texas public funds to hire external firms experienced in evaluating institutional investment practices to review the System's investment practices, policies and performance in the previous year and to create a report with recommendations for improvement to be submitted to the Texas Pension Review Board no later than June 1st after the fund's prior fiscal year-end.

Executive Summary

UMPERS establishes a "prudent investment expert standard" for public pension Plans. While in operation since 1997, the steps used in order to conform to that standard have changed somewhat over the years. UMPERS' current provisions incorporate ten components and include those shown in the table below:

Table 1 – Components of UMPERS' Prudent Investment Expert Standard

Component Name	Description	Legal Substantiation
Modern Portfolio Theory	Modern Portfolio Theory advocates diversification of securities and asset classes. In other words, it promotes the benefits of not putting all your eggs in one basket.	UMPERS Prefatory Notes
Principles of modern prudent investing	UMPERS facilitates the incorporation of modern investment practices, in large part, by revising and clarifying the standards of prudent retirement fund investing.	Restatement of Trusts 3d UPIA
Standard of prudence	A trustee or other fiduciary shall discharge duties with respect to a retirement System with the care, skill, and caution under the circumstances then prevailing which a prudent person acting in a like capacity and familiar with those matters would use in the conduct of an activity of like character and purpose."	UMPERS § 7(3)
Sensitivity to the risk/return ratio	The tradeoff in all investing between risk and return is identified as the fiduciary's central consideration.	UMPERS § 10(2)
Total portfolio	Investment and management decisions [respecting individual assets] must be evaluated not in isolation but in the context of the trust portfolio as a whole and as a part of an overall investment strategy having risk and return objectives reasonably suited to the [trust/program or appropriate grouping of programs].	UMPERS § 10(2)
Diversification	A trustee shall diversify the investments of [the trust/each retirement program or appropriate grouping of programs] unless the trustee reasonably determines that, because of special circumstances, [the purposes of the trust are better served without diversifying/it is clearly prudent not to do so].	UMPERS § 8(a)(2)

Executive Summary

Table 1 – Components of UMPERS' Prudent Investment Expert Standard (cont'd)

Component Name	Description	Legal Substantiation
Duty of impartiality	A trustee or other fiduciary shall discharge duties with respect to a retirement System impartially, taking into account any differing interests of participants and beneficiaries.	UMPERS § 7(4)
Appropriate and reasonable costs	A trustee or other fiduciary shall discharge duties with respect to a retirement System incurring only costs that are appropriate and reasonable.	UMPERS § 7(5)
No hindsight permitted	Compliance must be determined in light of the facts and circumstances existing at the time of [a trustee's/the trustee or fiduciary's] decision or action and not by hindsight.	UMPERS § 10(1)
Delegation	There are circumstances that a trustee or administrator may delegate functions that a prudent trustee or administrator acting in a like capacity and familiar with those matters could properly delegate.	UMPERS § 6

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Executive Summary

Scope

A standardized assessment framework was used in the Evaluation to ensure the Plan's alignment with SB 322's guidelines and the prudent investment expert standard of care. The scope of the framework embraces the following key disciplines:

- A review and evaluation of internal policies and guidance material for the selection and monitoring of investments, investment advisors, investment managers, and investment products such as:
 - Processes and procedures, including risk assessment frameworks which are used to guide the fiduciaries' decisions on investment related matters;
 - Evaluation and reporting methodologies, including the depth of testing performed during the Board's monitoring activities; and
 - Past audit reports and recommendations produced by the Plan's external audit firm.
 - An examination of whether the current monitoring model in relation to investment decision making is appropriate to achieve efficient and effective compliance with fiduciary standards, and how it can be improved.
- During the Evaluation we measured the following topics in relation to SB 322's and UMPERS' requirements that fiduciaries, and the investment monitoring systems they use, are equivalent in competency and functionality to the skills of a "prudent investment expert:"
1. Investment Policy - Adoption and Implementation
 2. Asset Allocation
 - a) Process for determining target allocations;
 - b) Expected risk and rate of return;
 - c) Appropriateness of selection and valuation methodologies of alternative and illiquid assets; and
 - d) Future cash flows and liquidity needs.
 3. Fees - Appropriateness of Investment Fees and Commissions

Executive Summary

- 4. Governance - Investment Oversight
 - a) Board authority, bylaws, and chain of command;
 - b) Investment decision making process; and
 - c) Investment expertise and education of Board members.
- 5. Investment Manager Selection Process

Exhibit 1 illustrates the scope of the Evaluation as discussed above. Our findings for each focal point in the Evaluation are contained in the Findings section of this report.

Exhibit 1 -- Scope of the Evaluation

Investment Policy	Asset Allocation	Fees	Governance	Investment Managers
Examine the investment policy for the definition of roles and responsibilities of all parties involved	Define in writing a procedure for selection and monitoring	Develop and maintain written policies describing the management and monitoring of indirect compensation	Maintain a high state of familiarity with the Plan's governance structure	Review investment performance reports published by vendors
Examine investment policy for definition of current needs and execution tactics	Document annually the objectives for cash flow, expected rate of return, and target allocation	Review investment related fee disclosures on a quarterly schedule	Review the protocol used by the fiduciaries for recording their investment decisions	Verify that recommendations align with investment policy
Verify that benchmarks for asset classes are identified	Ensure that money managers are selected using a formal system	Verify that fees are benchmarked against appropriate peers	Examine the framework against which the fiduciaries manage the investment decision making process and upgrade as needed	Evaluate investment managers on a periodic basis using defined performance indicators
Verify that the IPS is being followed by the investment professionals in practice	Confirm that asset classes adhere to the allocation limits set up in the IPS	Perform a documented analysis of the reasonableness of the Plan's fees	Require and monitor training for the Plan's fiduciaries	Verify that watch list decisions are documented on a consistent basis
Confirm that steps are defined for monitoring fees	Confirm that the asset allocation is understood by all parties			Confirm that providers' investment related recommendations are considered by the fiduciaries and are recorded in the Board's proceedings
	Confirm the investment manager coordinates the expected rate of return with all parties			

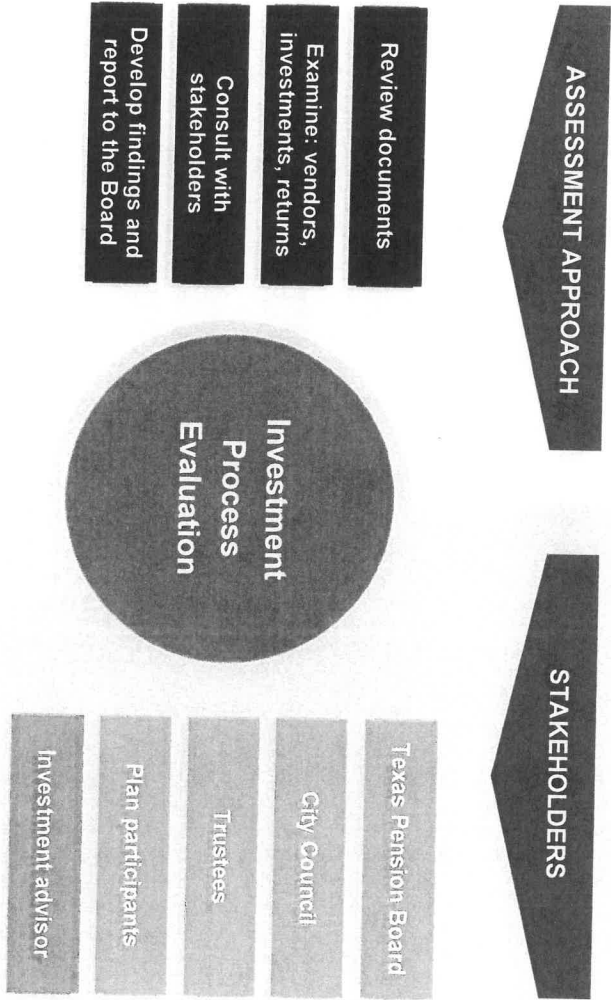
Executive Summary

Approach

In line with the objectives for the Evaluation contained in SB 322, Roland/Criss employed a standardized methodology. Our intent was to uncover any **key risk indicators** – areas of potential risk – on which the Board should focus. The chart below outlines the *Objectives* that underscore the methodology and a summary of the criteria implicit in each objective. (Please refer to Appendix B for a more thorough discussion of the methodology.)

Across each of the practice areas summarized in the illustration shown on the previous page, our approach was divided into four phases. The chart below illustrates the four phases of our approach and identifies the stakeholders who were represented during the Evaluation.

Exhibit 2 – Investment Process Evaluation



Findings

Investment Policy

The prudent investment expert standard requires retirement Plan fiduciaries to make choices from a broad range of investment options in order to effectively diversify their Plan's assets accounts. Such options should:

- Be diversified;
- Have materially different risk and return characteristics; and
- Help to minimize the Plan's overall risk when combined with other investments.

Plan fiduciaries face a challenge, however, when attempting to offer a wide range of investment styles while enabling ease of decision making. There is no single solution that proves optimal for all Plans. Policy guidelines, therefore, are essential and must be adhered to by the fund managers and advisors to whom implementation of policy is delegated.

During our work we examined the Plan's investment policy against fourteen internal control steps presented by the Evaluation methodology. One opportunity for improvement ("OFI") emerged that includes four steps. The OFI is listed in the next section of this report along with a description of action steps that may be pursued.

Asset Allocation

Asset allocation involves dividing an investment portfolio among different asset categories, such as stocks, bonds, and cash. The process of determining which mix of assets to hold in a portfolio is an individualized one. The asset allocation that works best for public pension Plan at any given point depends largely on the time horizon for the portfolio and the Plan fiduciaries' risk tolerance.

In order to provide a clear picture of the Plan's alignment with asset allocation best practices, we tested the Plan's approach against twenty-five activities. Those activities are grouped within five components of the asset allocation discipline and include the following: *Determine Target Allocations; Expected Risk and Expected Rate of Return; Selection & Valuation Methodologies of Alternative and Illiquid Assets; and Future Cash Flow and Liquidity Needs.*

We concluded that no OFI's exist that if addressed would significantly enhance the process used to manage the Plan's investment asset allocation activities. The board should continue to monitor the assets on a quarterly basis.

Findings

Fees

Understanding and evaluating fees and expenses associated with Plan investments, investment options, and services are an important part of a fiduciary's responsibility. This responsibility is ongoing. After careful evaluation during the initial selection, monitoring Plan fees and expenses ongoing is vital in order to determine whether they continue to be reasonable in light of the services provided

In determining the number of investment options and the level and type of services paid for by a Plan, it is important to understand how all fees and expenses affect investment performance. The cumulative effect of fees and expenses on retirement Plans can be substantial.

We concluded that five steps exist in the approach the Plan uses for monitoring and controlling investment related fees.

Governance

Fiduciary standards of care require investment committees demonstrate procedural prudence in the conduct of their duties. This prudence standard, which applies to all fiduciary acts under UMPERS, is both procedural and substantive in nature.

Procedural prudence is generally satisfied if a committee performs an adequate investigation of the merits of any proposed investment action. In addition to being made in accordance with procedural prudence, investment decisions should also be made with the skill of a professional investor.

Investment decisions delegated to third parties do not relieve a Plan's governing body of the risks associated with the failure to satisfy the procedural prudence standard.

Findings developed during the Evaluation revealed that opportunities to improve the effectiveness of two steps embodied in the Evaluation methodology exist..

Findings

Investment Managers

Due diligence is the heart and soul of investment manager selection. A good due diligence process objectively whittles down the universe of available managers to just those who meet high standards for inclusion in a retirement Plan's portfolio.

The objectives of investment manager due diligence are first examined using quantitative data to evaluate funds against set benchmarks and in relation to peers. In addition to quantitative analysis, fiduciaries should consider applying qualitative factors, which can help detect organizational instability. Any organizational instability, over time, usually leads to a manager's underperformance.

We identified one step in the Plan's process for selecting Investment Managers.

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Opportunities for Improvement

Pursuing Excellence

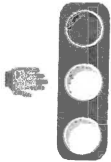
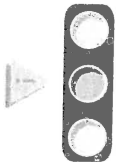
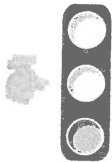
Continuous improvement is an ongoing effort to advance the effectiveness of the Plan's management approach. It helps meet the dual goals of reduced risk and facilitating the best outcomes for the Plan's participants. Identifying ways to improve also enhances the quality of the Plan's investment decision making process resulting in a higher level of confidence among the Plan's managers.

Conditions that can adversely affect the Plan's investment discipline comprise Key Risk Indicators ("KRI"). The Evaluation team used KRIs to uncover misalignments with SB322 and UMPERS. KRIs aid in the examination of each internal control by revealing changes in the levels of risk exposure and help trigger early warnings that recognize specific risks, prevent failures, and avoid negative outcomes in time.

As presented earlier in the Findings section of this report, we identified opportunities for improvement between the internal controls contained in the Evaluation methodology and the Plan's operations. While some of the opportunities require less urgent attention than others, improvement opportunities exist that should be addressed in the near-term.

Our conclusions of how the KRI's impact on the Plan's management System are discussed in the following pages, along with an indication of the urgency associated with each finding.

The results of the Evaluation of each step in the assessment methodology are illustrated using the following graphics:

		
Nonconforming The action specified by a step in the Evaluation methodology was deemed to have failed to meet the required action.	Needs Improvement The evidence presented indicates that a requirement has been effectively implemented but additional effectiveness or robustness might be possible with a modified approach.	Conforming It was determined during the Evaluation of a specific action step that relevant fiduciary standards of care were fulfilled.

Any step in the Evaluation methodology that was deemed to be **Nonconforming** or **Needs Improvement** is presented in the following pages of this report along with a statement of the reason for its distinction as an opportunity for improvement.

Opportunities for Improvement

Opportunity for Improvement Summary Description		Urgency Level
OPI-1 <i>Reference Step 1.2, 1.3, 1.5, 1.8, 3.1, 3.3, and 5.1</i>	The structure of the IPS adheres to industry best practices. The IPS should be updated to add roles and responsibilities of all parties involved in oversight of Plan investments, investment fee monitoring process, along with fund selection and monitoring criteria. An updated IPS is pending review by the Board and, once adopted and followed, will satisfy the steps necessary to clear this OPI.	
Opportunity for Improvement Summary Description		Urgency Level
OPI-2 <i>Reference Step 3.7, 3.8, 3.10</i>	The System should follow a documented process to account for and control all Plan-related fees. The fees are reviewed for reasonableness on a consistent basis, using adequate benchmarks. While investment fees are reviewed quarterly by the Plan's investment consultant against the Plan's peers, there is no defined method for determining if the Plan's investment related fees are reasonable. The Board also receives financial statements each meeting, which include all other plan-related fees, such as administrative, actuarial, and financial audit. SB 322 includes fee benchmarking language. However, there is currently no available fee benchmark for Texas-based public pension funds. Considering the frequency of the Board's meetings and the substance of its reviews of service agreements and fees, it is our opinion that the Board is fulfilling its duty to monitor and control plan expenses. We recommend that the Board document the results of its provider service and fee review at least annually. Additionally, the results of the review should provide a determination that the fees are reasonable.	

Opportunities for Improvement

OPI-3	Opportunity for Improvement Summary Description	Urgency Level
Reference Step 4.15, 4.17	The System has policies and procedures in place to review the effectiveness of its investment program, internal staff, and outside consultants. Prior to the Evaluation, the Board did not possess an internal controls checklist from which to validate its practices with its policies. Subsequently, the Plan Administrator developed an internal controls checklist based on the Plan's current operations. We recommend that the Board adopt the internal controls checklist and annually assess the Plan's operations.	

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Appendices

- Appendix A – The City of Galveston Pension Board
- Appendix B – Evaluation Methodology
- Appendix C – Supplemental Investment Data
- Appendix D – Glossary of Terms
- Appendix E – Disclosures

Appendix A – The Retirement Fund Board of Trustees

Name	Position and Title
Don Davison	Board President
Mike Loftin	Board Member
Louis Rosen	Board Member
Rodney Low	Board Member
Robert Simmons	Board Member
James Patterson	Board Member
Jeff Ammerman	Board Member
Ham, Langston & Brezina, LLP Contacts: Ann Masel and Jacque Vasquez	Plan Administrator (Non-voting Member)

*The City Council of Galveston is the Plan Sponsor.

Appendix B – Evaluation Methodology

The scope of this engagement was to assist the Plan's responsible fiduciaries identify the areas of improvement that when implemented would upgrade the Plan's alignment with fiduciary best practices.

RolandCriss used the guidelines set forth in the ISO 19011 standard for auditing management systems. The standard contains guidance on managing a process audit program, the principles of auditing, and the evaluation of individuals responsible for managing process audit programs. ISO 19011 offers guidance on every step of auditing a management system or audit program, including:

Exhibit 3 – ISO 19011 Process Audit Methodology

Define Audit Program Objectives	Conduct the Audit	Review the Results
Ensure that specific objectives are understood	Plan and review internal documents	Assess the audit results
Make audit arrangements with all stakeholders	Collect and verify audit evidence	Develop conclusions
Assign roles and responsibilities	Generate findings	Confirm audit's conformance to the standard
Define the scope, location, and duration	Validate findings	Update the report with conclusions
Determine specific criteria and checklists	Produce a report	Ensure confidentiality and data security
Establish review procedures		Present the audit report

The measurements used in this Evaluation provided a framework against which the investment management system used by the Board should align. The methodology applied tests to 82 steps developed from an examination of UMPEERS, case law, best practices, and SB 322 that impact individuals who oversee an investment decision making process.

Appendix B – Evaluation Methodology

The ideal outcome of the Evaluation is a defensible risk assessment framework that allows for the identification of any gaps between the Plan's investment decision making controls, UMPERS' prudent investment expert standard, and SB 322's examination guidelines. The anticipated benefits of taking a risk-based approach are:

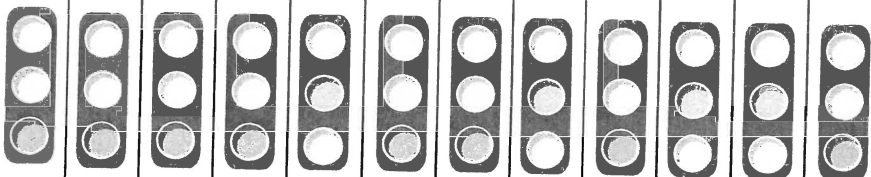
- Better identify areas of greatest concern, targeting likelihood and severity of noncompliance with UMPERS;
- Prioritization of compliance review activity; and
- More effective allocation of the Plan's resources.

The following pages of this appendix list the measurements used in the Evaluation, which are organized into five categories of objectives: *Investment Policy, Asset Allocation, Fees, Governance, and Investment Managers.*

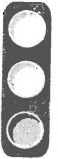
Appendix B – Evaluation Methodology

The Evaluation Measurements

Investment Policy	
Step 1.1	The Plan's management system (the "System") maintains a written investment policy statement (IPS).
Step 1.2	Roles and responsibilities of those involved in governance, investing, consulting, monitoring and custody are clearly outlined.
Step 1.3	The IPS is carefully designed to meet the real needs and objectives of the retirement Plan. It is integrated with any existing funding or benefit policies.
Step 1.4	The IPS is written clearly and explicitly so that anyone could manage a portfolio and conform to the desired intentions.
Step 1.5	The structure of the IPS adheres to industry best practices.
Step 1.6	The IPS contains measurable outcomes for managers and includes the time periods in which performance is to be considered.
Step 1.7	Evidence is present that the System is following its IPS.
Step 1.8	The Board's practices align with the IPS and related procedures.
Step 1.9	Stated investment objectives are being met.
Step 1.10	The retirement fund is able to sustain a commitment to the policies under stress test scenarios, including those based on the capital markets that have actually been experienced over the past ten, twenty, or thirty years.
Step 1.11	The investment managers can maintain fidelity to the IPS under all the scenarios considered by the Board.
Step 1.12	The IPS is designed to achieve its stated objectives under all the scenarios considered by the Board and City Council.



Appendix B – Evaluation Methodology

Step 1.13	The IPS is reviewed and updated on a consistent basis.	
Step 1.14	Substantial changes to the IPS are implemented timely and are documented adequately.	
Asset Allocation – Determining Target Allocations		
Step 2.1	The System has a formal written policy for determining and evaluating its asset allocation strategy.	
Step 2.2	The System is following the asset allocation policy.	
Step 2.3	Persons responsible for making the decisions regarding strategic asset allocation are defined.	
Step 2.4	The System's overall risk tolerance is expressed and measured, and the methodology used to determine and evaluate the strategic asset allocation is defined.	
Step 2.5	The strategic asset allocation is reviewed on a regular, recurring basis.	
Step 2.6	The System's investment consultants and actuaries communicate regarding their respective future expectations.	
Step 2.7	The current assumed rate of return is used for discounting Plan liabilities and is a key consideration in the decision-making process for setting the asset allocation.	
Step 2.8	The actuarial expected return on assets is a function of the Plan asset allocation or the asset allocation has been chosen to meet the desired actuarial expected return on assets.	
Step 2.9	The asset allocation approach used by the System is based on a specific methodology that is prudent, recognized as best practice, and consistently applied.	
Step 2.10	The System implements a tactical asset allocation. A defined methodology is used to determine the tactical asset allocation. Parties responsible for making decisions regarding tactical asset allocation are defined.	N/A
Step 2.11	The asset allocation strategy and results are compared against peers.	N/A

Appendix B – Evaluation Methodology

Asset Allocation – Expected Risk and Expected Rate of Return

Step 2.12	The strategic and tactical allocations are defined.	N/A
Step 2.13	The expected risk and expected rate of return for each asset class is defined.	N/A
Step 2.14	Investment risk tolerance is defined and is used in determining expected rates of return and takes into account the relevant time horizon.	
Step 2.15	A mix of assets is hypothesized in order to achieve the Plan's investment return and risk objectives.	
Step 2.16	Consideration is given to active vs. passive management.	
Step 2.17	The approach used by the System to formulate asset allocation strategies is sound, consistent with best practices, and results in a well-diversified portfolio.	
Step 2.18	The strategic and tactical allocations are reviewed on a consistent basis.	

Asset Allocation – Selection & Valuation Methodologies of Alternative and Illiquid Assets

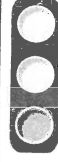
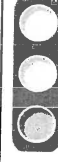
Step 2.19	A procedure for evaluating alternative and illiquid assets and their selection is defined and adhere to.	N/A
Step 2.20	Given its size and level of investment expertise, the System's alternative investments are appropriate. The IPS outlines the types of alternative and illiquid investments allowed, as well as the maximum allocation allowable.	N/A
Step 2.21	Valuation methodologies are used and documented that measure alternative and illiquid assets.	N/A

Asset Allocation – Future Cash Flow and Liquidity Needs

Step 2.22	The Plan's anticipated future cash flow and liquidity needs are calculated on the basis of the relevant group projection.	
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Investment Practices and Performance Evaluation

Appendix B – Evaluation Methodology

Step 2.23	An asset liability study is conducted annually.	
Step 2.24	System wide specific issues are incorporated in the asset allocation process including: the Plan's current funded status and its impact on asset allocation strategy; a documented list of actions to be taken if the Plan is underfunded, has a surplus or if it is approaching fully funded status; differences between expected short-term inflows and outflows and their impact on asset allocation; and consideration is given to how the nature of the Plan's liabilities impact the allocation.	
Step 2.25	Stress testing of a type that is relevant to the Plan is incorporated in the cash flow and liquidity Planning process.	
Fees		
Step 3.1	The System's policies describe the management and monitoring of direct and indirect compensation paid to investment managers and other service providers.	
Step 3.2	Direct and indirect investment fees (e.g., revenue sharing) and commissions paid by the System are identified.	
Step 3.3	Individuals responsible for monitoring and reporting fees to the Board are identified and documented.	
Step 3.4	Responsibilities are clearly defined in the System's IPS.	
Step 3.5	All forms of manager compensation are included in reported fees.	
Step 3.6	Investment fees and commissions (e.g., revenue sharing) are compared to peer group and industry averages.	
Step 3.7	Adequate benchmarks have been established and are used for evaluating Plan-related fees.	
Step 3.8	The System has appropriate policies and procedures in place to account for and control investment expenses and other asset management fees.	
Step 3.9	Other fees incurred by the System that are not directly related to the management of the portfolio are documented.	

Appendix B – Evaluation Methodology

Step 3.10	All Plan fees are reviewed for reasonableness on a consistent basis.	
Step 3.11	Legal counsel is employed as needed to review agreements for investment consulting arrangements and alternative investment contracts.	
Governance		
Step 4.1	The Board has a charter outlining the governance structure that embraces the IPS.	
Step 4.2	All investment related policy statements are easily accessible by the Board's members and the public.	
Step 4.3	Board meetings are documented and include the primary topics of discussion and the amount of time, detail, and discussion devoted to investment issues.	
Step 4.4	Meeting agendas and detailed minutes are available to the public.	
Step 4.5	The backgrounds of all Board members are documented, and investment related educational requirements exist.	
Step 4.6	Investment-related training is required of new Board members and training is provided ongoing on a consistent basis.	
Step 4.7	The Board has established minimum education requirements for its members on the subjects of ethics, governance, and investments and all members have completed such education.	
Step 4.8	The System applies adequate policies and/or procedures to help ensure that all Board members understand their fiduciary responsibility.	
Step 4.9	The investment management model is documented.	
Step 4.10	The Board receives impartial investment advice and guidance.	
Step 4.11	An industry evaluation of Plan provider services and fees is performed every three to five years.	

Appendix B – Evaluation Methodology

Step 4.12	The selection process for the leadership of the Board and committee(s) is defined.	
Step 4.13	The authority to select investment managers and to establish the asset allocation strategy is defined and documented to include the full Board, a portion of the Board, internal staff members and outside consultants.	
Step 4.14	The IPS clearly outlines responsibilities regarding investment decision-making. The Board is consistent in its delegation of authority.	
Step 4.15	The System has policies in place to review the effectiveness of its investment program, including the roles of the Board, internal staff, and outside consultants.	
Step 4.16	The current governance structure strikes a good balance between risk and efficiency.	
Step 4.17	Adequate controls are in place to ensure policies are being followed.	
Step 4.18	Overall portfolio performance is being adequately monitored by the Board.	
Step 4.19	The investment governance processes are reviewed on a regular basis for continued appropriateness.	
Investment Manager Selection and Monitoring Process		
Step 5.1	Individuals responsible for selecting investment managers are identified in the IPS.	
Step 5.2	The process for identifying managers as potential candidates is documented.	
Step 5.3	The selection criteria for including potential candidates is documented.	
Step 5.4	The selection process for deciding between multiple candidates is documented.	
Step 5.5	Documentation exists that addresses ethical considerations and potential conflicts of interest for both investment managers and Board members.	

Appendix B – Evaluation Methodology

Step 5.6	Individuals responsible for developing and reviewing investment consulting and investment management contracts are documented.	N/A
Step 5.7	The process for monitoring individual investment funds and overall fund performance is documented.	
Step 5.8	The individual(s) responsible for measuring the performance is documented.	
Step 5.9	The benchmarks used to evaluate performance are defined.	
Step 5.10	Performance evaluation reports are provided to the Board in clear format for the Plan's fiduciaries who may possess differing levels of investment expertise.	
Step 5.11	Net-of-fee and gross-of-fee investment manager performance is reviewed on a consistent basis. Net-of-fee and gross-of-fee manager performance is compared against benchmarks and peers.	
Step 5.12	The process for determining when an investment manager should be replaced is defined.	
Step 5.13	The evaluation of individual investment fund performance is integrated with other investment oversight issues such as asset allocation and investment risk compliance.	

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Appendix B – Evaluation Methodology

Documents Reviewed

Certain documents were reviewed in connection with the Evaluation. A list of the documents requested by Roland|Criss is shown below, along with a checkmark that indicates whether a requested document was provided to Roland|Criss.

LIST OF DOCUMENTS					
Document No.	Rev'd.	Description	Document No.	Rev'd.	Description
1	✓	Plan document, trust agreement, and adoption agreement	16	✓	Current assumed rate of return
2	✓	Governance documents	17	✓	Documented interactions with actuary consultants
3	✓	Governance policy outlining the governance structure	18		Advisor analysis and detail provided to the Board representatives
4	✓	Investment policy statement	19	✓	Quarterly investment performance monitoring reports for the past
5	✓	Meeting agenda and minutes for the last two years	20	✓	All vendors' executed service agreements
6		Board member biographical information	21		Current investment manager search document when required
7		Board related policy and procedures manual/documents	22	✓	Investment consultant asset allocation methodology
8	✓	Training policy for the investment committee members	23	✓	Detail of benchmarks used in the investment strategy
9		Copies of any internal policies audit	24		Most recent fee analysis/benchmarking report
10	N/A	Copies of any union contracts sections that may impact the Plan	25		Copies of provider fee disclosures/reports
11	✓	Current list of all investments including illiquid and alternative	26		Description of organization's online document storage system
12	✓	Documented cash flow and liquidity needs for the next 3-5 years			
13	N/A	Description of selection and monitoring of illiquid investments			
14		Description of the strategic and tactical allocation strategy			
15		Documents describing future expectations/risk tolerances			

Appendix C – Supplemental Investment Data

Performance Reporting

This appendix includes the Galveston Employees Retirement Quarterly Report published by Graystone Consulting on December 31, 2019.

Reference is made to Graystone throughout this evaluation report in connection with Graystone's role as the Plan's investment consultant. The data contained in this appendix is useful for illustrating the scope of investment related information the Board members receive on a periodic basis from Graystone.

Roland|Criss offers no opinion about the content of Graystone's reporting or on any advice that Graystone may deliver to the Board.

Appendix D – Glossary of Terms

Alignment - The consistency of Plans, processes, information, resource decisions, actions, results, and analysis to support key investment fiduciary standards of care.

Evaluation – Examination of an investment decision making process involving collecting, analyzing, and using data to determine opportunities for improvement, educate the Plan's fiduciaries, develop priorities, and maintain ongoing improvements in the Plan's oversight.

Back Testing - The process of validating an investment strategy using relevant historical data to ensure its viability before fiduciaries select or decide to retain a particular investment vehicle. An analyst can simulate the trading of a strategy over an appropriate period of time and analyze the results for specified levels of profitability and risk.

Benchmarks - Points of reference or a standard against which measurements can be compared. In the context of investment performance, a benchmark is an accurate data point, which is used as a reference for future comparisons.

Best Practices - The best procedural or administrative approach at the moment, given the situation, to satisfy the Plan and its participants' needs and desires, for which there is considerable practice-based evidence or expert consensus that indicates promise in improving outcomes, but for which are not yet proven by strong scientific evidence.

Controls Framework – A process designed to provide reasonable assurance of the achievement of three key objectives: (1) effectiveness and efficiency of operations; (2) reliability of financial reporting; and (3) compliance with applicable laws and regulations

Governance, Risk Management, and Compliance – Refers to a strategy for managing an organization's overall governance, enterprise risk management and compliance with regulations.

Investment Consultant – An individual or a firm that is in the business of giving advice about investment securities to clients.

Investment Forensics – Examines the relationship between an investment vehicle's standard deviation versus its rate of return.

Investment Manager - A person or organization that makes investments in portfolios of securities on behalf of clients, in accordance with the investment objectives and parameters defined by such clients. For example, mutual funds are managed by Investment Managers.

Appendix D – Glossary of Terms

Investment Policy – The general rules by which investments contained in a portfolio of securities will be selected and monitored. Documented in an Investment Policy Statement (“IPS”) the strategies that investment managers should employ are defined.

Performance Analysis Tools - Portfolio analysis resources that enable insights into portfolio diversification, reports on portfolio performance, and comparisons with market leading investment managers.

Policy - A definite course or method of action selected from among alternatives and in light of given conditions to guide and determine present and future decisions or a high-level overall Plan embracing the general goals and acceptable procedures for meeting UMPERS’ fiduciary standards.

Provider - A person, commercial business, subcontractor, or other entity that delivers investment-related services for payment. Examples include mutual fund companies, securities broker-dealers, registered investment advisors, financial Planners, and recordkeepers.

Recordkeeper – A retirement Plan service provider that is responsible for maintaining the accounting of Plan contributions and what the contributions have earned.

Risk and Return - Risk and return are highly correlated. Increased potential returns on investment usually go hand-in-hand with increased risk. Different types of risks include project-specific risk, industry-specific risk, competitive risk, international risk, and market risk.

Risk Evaluation - Risk assessment is a process used to formally assess the potential harm due to a hazard taking into account factors such as likelihood, timing, and duration of exposure.

Urgency Level – A color coded indicator used in the Opportunities for Improvement section of this report to indicate the recommended pace at which upgrades should be made. Red indicates the need for near term action while yellow suggests a mid-term response is appropriate.

Investment Practices and Performance Evaluation

Appendix E – Disclosures

Roland/Criss Fiduciary Services is a firm that conducts assessments of organizations against relevant laws that govern their fiduciary responsibilities. In order to maintain strict independence, Roland/Criss Fiduciary Services does not offer any investment, recordkeeping related, or custodian services to anyone. The standard used by Roland/Criss Fiduciary Services during the evaluation documented in this report was developed from research into relevant fiduciary standards of care with reliance on guidelines issued by states attorneys general, the Uniform Law Commissioners, the U.S. Department of Labor and legal interpretations published by several law firms that are noted for their expertise on investment fiduciary matters.

Past performance of any investment does not guarantee its future results. The value of an investment will vary so that an investor's shares, when redeemed, may be worth less than their original value.

Hyphens appear in data columns to indicate that data is not available.

Peer groups included for reference purposes in this report are comprised of all funds that match an investment's category as classified by Morningstar, Inc. A Morningstar Category identifies funds based on their actual investment styles as measured by their underlying portfolio holdings over a three-year period.

Although the data contained in this report has been obtained from sources believed to be reliable, no third-party associated with the development of the software used to extract the data or the importation of data guarantees the information contained herein is accurate, adequate, or complete. In addition, there are no warranties, conditions, guarantees or representations, whether express or implied, in law or in fact, oral or in writing as to the information contained herein by any third-party.

Each third-party, their employees, affiliates, contractors, agents, or any other information provider expressly disclaim any condition of quality and any implied warranty of title, non-infringement, merchantability or fitness for a particular purpose and under no circumstances will they be liable for any indirect, incidental, special or consequential damages or for any errors in the information contained in this report or for any actions taken in reliance thereon, including lost profits, regardless of whether such damages could have been foreseen or prevented. Information contained herein is subject to change without notice.

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This material is subject to change without notice. This document is for information and illustrative purposes only. It is not and should not be regarded as "investment advice" or as a "recommendation" regarding a course of action, including without limitation as those terms are used in any applicable law or regulation.

This information is provided with the understanding that with respect to the material provided herein (i) Roland/Criss Fiduciary Services is not acting in a fiduciary or advisory capacity under any investment advisory contract with Plan, or any applicable law or regulation, (ii) that Plan will make its own independent decision with respect to any course of action in connection herewith, as to whether such course of action is appropriate or proper based on its own judgment and its specific circumstances and objectives, (iii) that Plan is capable of understanding and assessing the merits of a course of action and evaluating investment risks independently, and (iv) Plan is deemed to represent to Roland/Criss Fiduciary Services that it qualifies and shall be treated as an independent fiduciary for purposes of applicable regulation.

Roland/Criss Fiduciary Services does not purport to and does not, in any fashion, provide tax, accounting, actuarial, recordkeeping, legal, broker/dealer or any related services and shall not have any liability for any damages of any kind whatsoever relating to this material.

City of Galveston
Internal Control Checklist

	Specific Objectives	Controls	Responsible Party
Investments:	Investment transactions are recorded timely and accurately	Trust department notified within 5 days after Board meeting with any additions or changes to invested assets	TPA
		Monthly custodian reports reconciled to monthly accounting compilation reports presented at quarterly Board meetings	TPA
	Investment transactions are initiated in accordance with established investment policy	Investment criteria is documented in the investment policy	Board
		Investment policy is reviewed and approved by the Board annually and documented in the minutes	Board, TPA
		Investment portfolio reviewed quarterly at Board meeting by Board with investment advisor	Board, IA
		All investment transactions must be approved by the Board upon recommendation by the investment advisor and documented in the minutes	Board, TPA
	Protection of investment assets from loss or misappropriation	Only trust department (custodian) has ability to access or make changes to assets	Custodian
		Segregation of duties among Board, investment advisor, third party administrator, accountant from custodian of assets	TPA
		Assessment of financial stability and accountability of custodian, including receipt of SOC-1 letter	TPA

City of Galveston
Internal Control Checklist

Contributions

Employer and participant contributions meet authorized or required amounts	Description of contribution requirements included in plan documents	Board
	Use of actuarial reports on an annual basis	Board, actuary
	Annual letters are sent to retirees with account information	Actuary, TPA
Verify timely remittance of contributions to Plan in appropriate period	Comparison of City payroll records to bank (custodian) receipts	TPA
Access to cash receipts is controlled to prevent or detect unrecorded cash receipts or the abstraction of recorded cash receipts and shortage or loss of assets	Contributions are direct deposited to plan	Custodian
	Segregation of duties among check approvals, plan recordkeeping, payroll department at City, disbursements generated from bank	Custodian, TPA, City
	Bank accounts reconciled monthly	TPA
	Past due contributions investigated on a timely basis	TPA
	Segregation of duties between City as processor of contributions and custodian as receiver of contributions	City, Custodian

Benefit payments

Payments are recorded at the appropriate amount and in the appropriate period on a timely basis	Benefit payments are made by custodian only after receipt of actuarial calculation	Custodian, TPA, Actuary
	Benefit payments, W-2's and payment of tax withholding may only be made by custodian	Custodian
	Totals for benefit payments are maintained by custodian, reconciled by TPA on a monthly basis, and reported to Board in quarterly financial statements	Custodian, TPA
Payments are determined and authorized in accordance with the Plan document	Participants must have final paycheck stub before applying for retirement benefits	TPA
	TPA may only inform future retiree of estimated benefit; no benefit payment info is final until calculated and approved by actuary	TPA, Actuary
Benefit amounts and options are communicated to retiring participants	Participant must sign acceptance of the actuarial calculation and method of payout (periodic, lump sum)	TPA
	Retiring participant meets with TPA to review and discuss options	TPA

City of Galveston
Internal Control Checklist

Participant data

Participant eligibility is determined in accordance with the Plan	Eligibility is described in detail in Plan document	Board
	Unusual or questionable situations are re-referred to Plan attorney and actuary for opinion	TPA
Access to participant data is controlled to prevent unauthorized changes or additions	Segregation of duties between City payroll department, TPA and custodian; consequently no opportunity for changes to payroll information	City, Custodian, TPA
Participant data are properly recorded on a timely basis	Participant data reconciled by actuary	Actuary
	Hard copy and electronic copy of all benefit calculation and approvals is kept by TPA in accordance with state retention policy	TPA
	Annual account statements are prepared by actuary and sent to retirees and participants by TPA	Actuary, TPA
	Participants review data with TPA prior to acceptance of actuarial calculation of benefit payment	TPA, Actuary

Administrative expenses

Administrative expenses are recorded at the appropriate amount and in the appropriate period on a timely basis, and with appropriate approvals	All disbursements are only made by custodian	TPA, custodian
	Custodian controls mailing of all disbursements	Custodian
	No disbursement may be made until accompanied by invoice copy and check request signed by 2 Board members	Board, custodian, TPA
	Bank accounts reconciled on monthly basis and compiled financials with all activity reported to the Board on a quarterly basis	TPA

Reporting

Records are maintained in sufficient detail to provide for proper and timely reconciliation	Bank statements, investment activity, payroll reports are reconciled monthly. Segregation of duties as custodian statements and bank activity reconciled monthly to payroll reports and contributions reconciled by TPA accountants.	TPA
Financial statements, actuarial information are complete and accurate	Actuarial reports reconciled to participant information annually	Actuary
	Financial statements reviewed quarterly by Board	Board, TPA

City of Galveston
Internal Control Checklist

	Financial statements are prepared in accordance with GASB	Board receives annual audit of financial statements	Auditor, TPA, Board
Consultants	Investment advisor	Investment advisory fees are disclosed and reviewed at each meeting	IA, Board
		All investment returns reviewed quarterly in comparison to benchmarks	IA, Board
	Attorney	Plan attorney used "as needed" Invoices must be attached to check requests before payment is authorized	Board, TPA
		Attorney selected by Board has specialized skill, knowledge and expertise with retirement plan law	Board, Attorney
		Attorney selected has expertise with governmental regulations	Board, Attorney
		Drafts necessary plan amendments, filings and documents to ensure that Plan is in compliance	Attorney
	Actuary	Actuary provides fee estimate, engagement letter prior to each requested report	Actuary
		Actuary gives final benefit calculation prior to each retiree receiving distribution upon retirement	TPA, Actuary
		Actuarial assumptions are discussed by actuary and Board	Board, actuary
		Actuary prepares and presents actuarial report to Board annually	Actuary
	Third Party Administrator	Monitors Board members education requirement	Board, TPA
		Ensures that paperwork and benefit calculation are complete and accurate for retirees	TPA, Actuary
		Provides invoices and backup on all disbursements to be signed/authorized by Board prior to submission to custodian	TPA, Board
		Plan and participant data is protected from unauthorized access	TPA
		Plan and participant data is safeguarded from loss and subject to retention plan	TPA
		Reconciling items are followed up in a timely manner	TPA
		Financial statements and reports are provided to Board on a quarterly basis	TPA

City of Galveston
Internal Control Checklist

Board minutes are prepared within 1 week of meeting date and are approved by Board at next quarterly meeting	TPA, Board
Agendas are posted and meetings are held in accordance with open meetings act	TPA
Procedures are in place that provide reasonable assurance that any disbursement requests or benefit payment is authorized and in compliance with plan provisions	TPA
Accounting documents are reviewed for completeness and accuracy	TPA, Auditor
Board authorized investment changes are communicated to custodian of investments within 5 days after Board meeting	TPA
Procedures for communicating with participants upon retirement are established	TPA
Information and reports furnished to auditor, actuary and Board as requested	TPA
Send Annual Banefit Certificate letters to retirees annually, and have employees sign that they have received the notice and that we have a correct address and phone number.	TPA, Actuary
New consultants are obtained using RFP with Board approval	Board, TPA
Board meetings are appropriately scheduled and coordinated. Board members are furnished materials necessary to make informed decisions, and all Board meeting information is retained electronically	TPA
Election of employee Board members is timely and legally held	TPA
Communication is ongoing and open between TPA and Board regarding Board issues and acting as liason with other consultants	TPA

Investment Policy Statement

CITY OF GALVESTON EMPLOYEES' RETIREMENT FUND

Adopted on

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Statement of Purpose

The City of Galveston trustees have adopted and approved a document entitled City of Galveston Employees' Retirement Fund (the "Plan") which designates the trustees as the named fiduciary, with primary investment and control responsibility, of the assets of the Plan.

This Investment Policy Statement ("IPS") is to assist the trustees in effectively directing and managing the investment of the Plan assets. The IPS will guide the trustees in fulfilling these responsibilities, solely in the interests of Plan beneficiaries, by clarifying for all involved parties:

1. The trustees' attitudes, expectations, objectives, and guidelines for the investment of Plan assets.
2. The responsibilities of the trustees, the investment managers, the investment advisor, and the custodian.
3. The procedure for setting the appropriate asset allocation of Plan assets.
4. The procedures for selecting, monitoring, evaluating, and, when appropriate, replacing investment managers.
5. The procedure to monitor all plan costs and fees for reasonableness.

Statement of Objectives

The investment objective is to provide investment returns, when coupled with the periodic funding of the City of Galveston Employees' Retirement Fund, sufficient for the Plan to be maintained in a manner that ensures the timely payment of promised benefits to current and future participants and minimizes Plan cost. With regard to investment return goals, the aim is to meet or exceed the actuarial rate of return of 7.25% per annum, net of expenses. This goal should be met over a full investment cycle (generally described as 5-7 years). Investment returns should also be in line with those of a representative benchmark, and appropriate risk levels should be targeted.

Risk Tolerances and Attitudes

Understanding that risk in the form of uncertainty and volatility of investment returns is present in all types of securities and investment styles, the trustees recognize that taking appropriate risk is necessary to produce long-term investment results that are sufficient to meet the Plan's obligations to its beneficiaries.

The trustees recognize that differences in the performance of assets relative to liabilities can cause large swings in the funded status (ratio of the market value of plan assets to actuarially determined plan liabilities) of the Plan and that the City of Galveston Employees' Retirement

Fund seeks maintenance of the funded status with an appropriate margin of safety that stabilizes annual contributions at a sustainable level.

It is also recognized that Plan provisions and participant demographics require cash flows to meet Plan expense and benefit obligations over the entire time span of current beneficiaries' lives. Total risk appetite should include appropriate consideration of this long term investment horizon.

Specific Goals and Objectives

1. Achieve total investment returns (aggregate return from net capital appreciation, dividend, and interest income) that meet or exceed the actuarial liability rate of return of 7.25% per annum.
2. Maximize return within reasonable and prudent levels of risk.

Investment Strategy

In order to meet the goals and objectives as stated above while managing risk associated with funded status and contribution volatility the trustees will:

1. Invest the Plan assets to seek returns which allow the Plan to meet long-term investment objectives.
2. Diversify the Plan assets so as to minimize risk and allow for meeting the targeted rate of return.
3. Maintain and monitor the Plan's asset allocation so that it is set at a level that minimizes risk while allowing for meeting the targeted rate of return.

Duties and Responsibilities

Trustees

As the named fiduciary under the Plan, the trustees have the following responsibilities with regard to investment of Plan assets:

1. Prepare, modify, and maintain discipline to this Investment Policy Statement.
2. Retain the services of outside consultants considered necessary for the fulfillment of investment responsibilities.
3. Ensure the diversification of the Plan's assets meet an agreed upon risk/return profile.
4. Manage the selection of investment style options.

5. Make periodic review and adjustments to ensure investments continue to meet the objectives and goals as stated in this document.
6. Review Asset Allocation on an ongoing basis.
7. When appointing an investment manager (1) designate in writing the portion of Plan assets that they will invest, (2) if a separate account structure is used, obtain a written acknowledgement of their fiduciary status, and (3) periodically evaluate their performance.
8. Ensure the control and accounting for all investment, record keeping, and administrative expenses associated with the Plan. Assess these fees for reasonableness on an ongoing basis.
9. Monitor all service vendors.
10. Ensure no prohibited investments are made.
11. Make all decisions with the care, skill, prudence, and diligence under the circumstances then prevailing that a “prudent man” acting in like capacity and familiar with such matters would use in the investment of like character and with like aims.

Investment Advisor

The trustees may retain a third party Securities and Exchange Committee (SEC) registered Advisor free of any compensation arrangements with investment products or investment managers that could cause bias or conflict, to assist the trustees in managing the overall investment process. The Advisor will be responsible for guiding the trustees through a disciplined and rigorous investment process to enable the trustees to meet the fiduciary responsibilities outlined above. The Advisor will assist the trustees in the selection of investment managers or other investment options for each investment alternative. The Advisor's responsibilities around initial and/ or ongoing review of investments, investment managers or other options will include:

- An examination of asset allocation, with the goal of achieving proper diversification, and reaching the actuarial return while maintaining appropriate risk levels over time
- An examination of the return and risk history of asset managers
- The reputation of the investment manager(s) in the industry
- The quality of the investment management company
- Rankings and ratings by independent investment tracking and monitoring services
- Positive affirmation to the trustees that investment managers are in compliance with all legal and regulatory requirements

Asset Allocation

Asset Allocation will be set and monitored by the trustees. In order to set an appropriate asset allocation, trustees will periodically review an asset allocation study. This study will consider past risk and return levels of different investment options, and may consider potential future return projections. The goal of the asset allocation is to set a mix of investments that will create a well-diversified portfolio that will achieve the actuarial return goal, while taking an appropriate amount of risk.

1. Aggregate Fund Asset Allocation Guidelines (at market value)

<u>ASSET CLASS</u>	<u>MINIMUM</u>	<u>MAXIMUM</u>	<u>TARGET</u>
Equities	40%	70%	60%
Fixed Income	40%	70%	30%
Alternatives	0%	30%	9%
Cash and Equivalents	0%	30%	1%

2. The trustees may employ investment managers whose investment disciplines require investment outside the established overall portfolio asset allocation guidelines. However, taken as a component of the aggregate fund, such disciplines must fit within the overall asset allocation guidelines established in this statement. Where separate account structures are utilized, such investment managers will receive written direction from the trustees regarding specific objectives and guidelines.

Investment Managers

Investment managers, whom the trustees may select, are responsible for making investment decisions (security selection and price decisions) with respect to the portion of Plan assets assigned to them for management. The specific duties and responsibilities of each investment manager are:

1. Invest and manage the assets under their supervision in accordance with the guidelines and objectives outlined in their respective Service Agreements, Prospectus and/or Trust Agreement.
2. Provide quarterly reporting of performance.
3. Seek to meet or exceed the return and volatility of any custom benchmark against which they have agreed they will be measured. The appropriate benchmark for each manager in the portfolio has been set out in the attached Appendix.
4. Display an overall level of risk in the portfolio which is consistent with the risk associated with the custom benchmark specified above. Risk will be measured by the degree of correlation to the movement relative to the custom benchmark.
5. Exercise appropriate investment discretion about buying, managing, and selling assets held in their portfolios.

6. If managing a separate account (as opposed to a mutual fund or commingled account), seek approval from the trustees prior to purchasing and/or implementing the following securities and transactions:
 - a. Letter stock and other unregistered securities; commodities or other commodity contracts; short sales or margin transactions
 - b. Lending, pledging, or hypothecating securities
 - c. Investments in the equity securities of any company with a record of less than three years continuous operation, including operation of any predecessor
 - d. Investments for the purpose of the control of management
7. Vote promptly all proxies and related actions in a manner consistent with the guidelines and objectives outlined in their respective Service Agreements. Each investment manager shall keep detailed records of the voting of proxies and related actions and will comply with all applicable regulatory obligations.
8. Communicate to the trustees all significant changes pertaining to the fund managers or the firm itself. Changes in ownership, organizational structure, financial condition, and professional staff are examples of changes to the firm in which the trustees are interested.
9. Use the same care, skill, prudence, and due diligence under prevailing circumstances that the experienced investment professionals acting in a like capacity and fully familiar with such matters would use in like activities, for like retirement Plans, with like aims, in accordance and compliance all applicable laws, rules, and regulations.
10. Provide information required to comply with fee disclosures and acknowledgements of fiduciary status as applicable.

Custodian

The custodian is responsible for the safekeeping of the Plan's assets. The specific duties and responsibilities of the custodian include:

1. Maintain segregated accounts by legal registration.
2. Value the holdings.
3. Collect all the income and dividends owed to the Plan.
4. Settle all transactions (e.g., buy-sell orders).
5. Provide periodic reports that detail transactions, cash flows, securities held and their current value, and change in value of each security and the overall portfolio since the previous report.

Investment Manager Selection

The trustees, along with the assistance of the Investment Advisor, will select appropriate investment managers to manage the Plan's assets. The trustees will apply the following due diligence criteria in selecting each investment manager:

- **Regulatory oversight:** Each investment manager must be a regulated bank, an insurance company, a mutual fund organization, or a registered investment advisor.
- **Correlation to style or peer group:** The investment manager should be highly correlated to the asset class of the investment option. This is one of the most critical parts of the analysis since most of the remaining due diligence involves comparisons of the investment manager candidate to the appropriate peer group.
- **Performance relative to a peer group:** The trustees will evaluate the investment manager's performance against the peer group's median manager return, for one-, three- and five-year cumulative periods.
- **Performance relative to assumed risk:** The trustees will evaluate the investment manager's risk-adjusted performance (Alpha and/or Sharpe Ratio) against the peer group's median manager's risk-adjusted performance.
- **Minimum record of accomplishment:** The investment manager's inception date should be older than three years.
- **Assets under management:** The investment manager should have at least \$75 million under management.
- **Holdings consistent with style:** The investment manager should have no more than 20% of the portfolio invested in "unrelated" asset class securities. For example, a Large Cap Growth investment should not hold more than 20% in cash, fixed income and/or international securities.
- **Expense ratios/fees:** The investment manager's fees should not be in the bottom quartile (most expensive) of their peer group.
- **Stability of the organization:** There should be no perceived organizational problems - the same portfolio management team should be in place for at least two years.
- **Competent to perform:** The trustees will evaluate whether the investment manager is competent to perform to the standards prescribed herein

Control Procedures

Investment Managers' Performance

On a timely basis the trustees will meet to review the following information regarding the Plan's investment managers:

- Conformity with guidelines and objectives outlined in their respective Service Agreements, Prospectus and/or Trust Agreement
- Material changes organization, ownership, investment philosophy and/or personnel
- Legal, SEC, and/or other regulatory agency proceedings
- Changes in client retention or growth efforts
- Performance results relative to managers of like investment style or strategy. Each manager is expected to maintain sustainable performance in the upper half of the manager's respective style universe.
- Performance results compared to their overall composite performance figures to determine unaccounted for dispersion between the manager's reported results and the Plan's actual results
- Risk associated with each portfolio, as measured by the variability of quarterly returns (standard deviation), which should not exceed that of the benchmark index and the peer group or the custom benchmark, unless there is a corresponding increase in performance above the designated metric
- Compliance with legal and regulatory requirements

The trustees will establish performance objectives for each investment manager and review performance quarterly in consideration of the investment manager's progress against longer-term targets as follows:

- Performance will be evaluated in terms of an appropriate market index and the relevant peer group.
- Qualitative standards as set out in this document must be maintained by each investment manager.

The trustees will perform ongoing review and analysis of investment managers and will take corrective action to place investment managers on a watch list, requiring a thorough review and analysis, or to replace them based on the following:

Watch List Criteria

- Yield performance in the bottom quartile (75th percentile) of the appropriate peer group over an annual period.
- Placement in the southeast quadrant of the risk/return scatter gram for three- and/or five-year time periods.
- Five-year risk-adjusted return below that of the median manager within the appropriate peer group.

Removal Criteria

- Consistent performance below the median (50th percentile) of the appropriate peer group over rolling three-year periods.
- Negative alpha for three-year time period.

Major organization changes also warrant immediate review of the manager including:

- Change in professionals
- Significant account losses
- Significant growth of new business
- Change in ownership
- Public events disclosed that may reduce trust and confidence

A manager evaluation may include the following steps:

- A letter to the manager asking for an analysis of their underperformance.
- An analysis of recent transactions, holdings, and portfolio characteristics to determine the cause for underperformance or to check for a change in style.
- A meeting with the manager, which may be conducted on-site, to gain insight into organizational changes and any changes in strategy or discipline.

The decision to retain or terminate a manager is not formula based. Instead, the trustees' retention/termination decisions will be based on the confidence it has in the manager's ability to meet its performance expectations.

Measuring Costs

The trustees will review at least annually all costs associated with the management of the Plan's investment program, including:

- Expense ratios of each investment option against the appropriate peer group.
- Custody fees: The holding of the assets, collection of the income, and disbursement of payments.

- **Administrative Fees:** Costs to administer the Plan, including record keeping, account settlement (participant balance with that of fund), and allocation of assets and earnings, and (when applicable) the proper use of 12b-1¹ fees to offset these fees.

Prohibited Investments

Prohibited investments include, but are not limited to the following:

- Commodities contracts
- Private placements of non-negotiable securities
- Options
- Speculative derivatives, as defined first by each investment manager and secondly by the investment advisor and finally by the trustees

Investment Policy Review

The trustees will review this IPS periodically to determine whether stated investment objectives are still relevant. Under normal circumstances, the IPS will not be changed frequently. Short-term changes in financial markets will not automatically trigger adjustments to the IPS.

The undersigned approved this Investment Policy Statement on the date shown below. It represents the trustees' prudent process for supervising the Plan's investment activities.

Approved:

¹ A 12b-1 fee is a fee assessed by a mutual fund to its shareholders. The fees cover the fund's marketing expenses and are named after the section of the Investment Company Act of 1940 that makes them legal.

Appendix

The appropriate benchmark for each manager in the portfolio is set out below:

Manager	Benchmark
iShares Core S&P 500 ETF	S&P 500 Total Return
iShares MSCI USA Min Vol ETF	S&P 500 Total Return
Vanguard Mid Cap Index Fund	Russell Mid-Cap Index
iShares Core S&P Small Cap ETF	S&P 600 Small Cap Index
iShares Core MSCI EAFE ETF	MSCI All Country World ex US
iShares Core MSCI Emerging Mkts ETF	MSCI Emerging Markets Index
Baird Aggregate Bond Fund	Barclays U.S. Aggregate
Metropolitan West Total Return Bond	Barclays U.S. Aggregate
TIAA-CREF Bond Fund	Barclays U.S. Aggregate
Brandywine Global Opp	World Government Bond Index
PIMCO Income Fund	Barclays U.S. Aggregate
FPA Crescent	HFRI Equity Hedge Total
Salient Tactical Growth	HFRI Equity Hedge Total
Wells Fargo Absolute Return	HFRI Equity Hedge Total

*City of Galveston Employee's
Retirement Fund*

**Statement of Investment Policy,
Objectives, and Guidelines**

Amended November, 2019

CITY OF GALVESTON EMPLOYEE'S RETIREMENT FUND

Statement of Investment Policy, Objectives, and Guidelines

PURPOSE OF THIS INVESTMENT POLICY STATEMENT

This statement of investment policy is set forth by the trustees in order to:

1. Establish a clear understanding for all involved parties of the investment goals and objectives of Fund assets.
2. Offer guidance and limitations to all Investment Managers regarding the investment of Fund assets.
3. Establish a basis for evaluating investment results.

In general, the purpose of this statement is to outline a philosophy and attitude which will guide the investment management of the assets toward the desired results. It is intended to be sufficiently specific to be meaningful, yet flexible enough to be practical.

GENERAL INVESTMENT PRINCIPLES

1. The Fund shall be invested with the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent man acting in like capacity and familiar with such matters would use in the investment of a fund of like character and with like aims.
2. Investment of the Fund shall be so diversified as to minimize the risk of large losses, unless under the circumstances it is clearly prudent not to do so.
3. The trustees may employ one or more investment managers of varying styles and philosophies to attain the Fund's objectives.
4. Cash is to be employed productively at all times, by investment in short-term cash equivalents to provide safety, liquidity, and return.

INVESTMENT MANAGEMENT POLICY

1. Preservation of Capital - Consistent with their respective investment styles and philosophies, investment managers should make reasonable efforts to preserve capital, understanding that losses may occur in individual securities.
2. Risk Aversion - Understanding that risk is present in all types of securities and investment styles, the trustees recognize that some risk is necessary to produce long-term investment results that are sufficient to meet the fund's objectives. However, the investment managers are to make reasonable efforts to control risk, and will be evaluated regularly to ensure that the risk assumed is commensurate with the given investment style and objectives.
3. Adherence to Investment Discipline - Investment managers are expected to adhere to the investment management styles for which they were hired. Managers will be evaluated regularly for adherence to investment discipline.

INVESTMENT OBJECTIVES

In order to meet its needs, the investment strategy of the Plan is to emphasize total return: that is, the aggregate return from capital appreciation and dividend and interest income. Specifically, the objectives in the investment management for fund assets shall include:

Long-Term Growth of Capital - To emphasize long-term growth of principal while avoiding excessive risk. Short-term volatility will be tolerated inasmuch as it is consistent with the volatility of a comparable market index.

Preservation of Capital - To minimize the probability of loss of principal over the investment horizon. Emphasis is placed on minimizing return volatility rather than maximum return.

Preservation of Purchasing Power - To achieve returns in excess of the rate of inflation over the investment horizon in order to preserve purchasing power of Fund assets. Risk control is an important element in the investment of fund assets.

SPECIFIC INVESTMENT GOALS

Over the course of a full economic cycle (generally 5-7 years), it is the goal of the aggregate fund assets to meet or exceed:

- the long-term investment return assumption used in the actuarial valuation process, currently 7.25% per annum, net of investment management expenses
- the return of a balanced market index comprised of a similar weighting to the Fund's asset allocation

The investment goals above are the objectives of the aggregate fund, and are not meant to be imposed on each investment manager (if more than one manager is used). The goal of each investment manager, over the investment horizon, shall be to:

1. Meet or exceed the market index, or blended market index, selected and agreed upon by the trustees that most closely corresponds to the style of investment management.
2. Meet or exceed the median manager in a universe of other funds managed with a similar asset mix over a market cycle.
3. Display an overall level of risk in the portfolio which is consistent with the risk associated with the benchmark specified above. Risk adjusted returns should equal or exceed the risk/return of the appropriate benchmark. Risk will be measured by the standard deviation of quarterly returns.
4. For indexed assets, performance will be monitored based on conformity to the index selected

Specific investment goals and constraints, if any, for each investment manager, shall be incorporated as part of this statement of investment policy. Each manager shall receive a written statement outlining his specific goals and constraints as they contribute to the objectives of the entire fund.

ASSET ALLOCATION

Guidelines

Investment management of the assets of the fund shall be in accordance with the following asset allocation guidelines:

1. Aggregate Fund Asset Allocation Guidelines (at market value)

<u>ASSET CLASS</u>	<u>MINIMUM</u>	<u>MAXIMUM</u>
Equities*	20%	70%
Fixed Income	20%	70%
Alternatives**	0%	30%
Cash and Equivalents	0%	50%

** Non-US equity mandates shall comprise no more than 40% of the total equity exposure*

*** Alternatives exposure shall be limited to registered 1940 Act mutual funds which provide daily liquidity and valuations*

2. The trustees may employ investment managers whose investment disciplines require investment outside the established asset allocation guidelines. However, taken as a component of the aggregate fund, such disciplines must fit within the overall asset allocation guidelines established in this statement. Such investment managers will receive written direction from the trustees regarding specific objectives and guidelines.

INVESTMENT MANAGEMENT SELECTION

The selection of investment managers must be based on a prudent due diligence process. Managers being considered will be evaluated on several factors, including but not limited to, the pattern of rates of return and the volatility of those returns, style of management, adherence to style, research capability, staffing, fees, and other factors considered relevant.

INVESTMENT MANAGER GUIDELINES

Prohibited Assets

Prohibited direct investments include, but are not limited to the following:

1. Commodities and Futures Contracts
2. Private Placements or Non-Negotiable Securities
3. Options
4. Speculative Derivatives, as defined first by each investment manager and secondly by the investment consultants and finally by the investment committee

Investments into these prohibited assets are permissible inside 1940 Act registered mutual funds. Any other request for an exception to the above should be presented in written form to the trustees. Consideration will be given only to an investment opportunity acting as a hedge to reduce risk in a portfolio.

Prohibited Transactions

Prohibited direct transactions include, but are not limited to the following:

- Short Selling
- Margin Transactions

Otherwise prohibited transactions are permissible inside 1940 Act registered mutual funds. Any other request for an exception to the above should be presented in written form to the trustees. Consideration will be given only to an investment opportunity acting as a hedge to reduce risk in a portfolio.

Investment Managers

Each investment manager will have full discretion to make all investment decisions for the assets placed under its mandate, while observing and operating within all policies, guidelines, constraints, and philosophies outlined in this policy. Specific responsibilities and restrictions of the investment managers include:

Note: Portfolio specific restrictions are intended for separate account mandates. Exceptions to these restrictions can exist inside commingled vehicles, such as mutual funds and ETF's, or separately managed account vehicles where the trustees agree it is appropriate.

1. Discretionary investment management including decisions to buy, sell, or hold individual securities, and to alter asset allocation within the guidelines established in this written policy.
2. Reporting, on a timely basis, quarterly investment performance results.
3. Communicating any major changes to economic outlook, investment strategy, or any other factor which affect implementation of the investment process or the investment objective progress.
4. Informing the Trustees regarding any change to the investment management organization. This includes, but is not limited to changes in portfolio management personnel, ownership structure, investment philosophy, adverse pending litigation or judgments, etc.
5. Voting proxies on behalf of the Fund, and communication of such voting records to Trustees on a timely basis.

Equity

6. Individual direct equity positions shall be limited to no more than 10% of the manager's portfolio value.
7. No more than the greater of 30% or 2x the weighting of the appropriate index should be invested in any one sector.

Fixed Income

8. Up to 85% of fixed income assets will be invested in investment grade bonds rated BBB (or equivalent) or better with maximum maturities of 30 years and a portfolio duration of no more than 10 years. Up to 15% of fixed income assets may be invested in bonds rated below BBB. Alternatively, fixed income investments may include bond funds rather than individual bonds.

Money Market

9. Funds selected shall only contain securities rated as investment grade by at least one major credit rating agency.

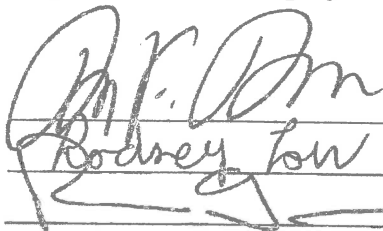
PERFORMANCE REVIEW AND EVALUATION

Performance reports generated by the Investment Consultant shall be compiled at least quarterly and communicated to Trustees for review.

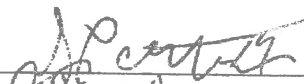
The investment performance of the composite securities portfolio, as well as asset class components (cash, fixed income and equities) will be measured against the Fund's objectives. Comparisons to other commonly accepted performance benchmarks will also be provided. Consideration shall be given to the extent to which the investment results are consistent with the investment objectives, goals, and guidelines as set forth in this statement. The Trustees intend to evaluate the portfolio(s) over at least a 5-7 year period, but reserve the right to terminate a manager for any reason including the following:

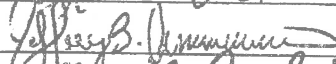
1. The convenience of the Trustees.
2. Sub-standard investment results given the discipline employed and the risk parameters established.
3. Failure to adhere to this statement of investment policy, including communication and reporting requirements.
4. Changes to the investment management organization deemed adverse to the interests of the Fund.

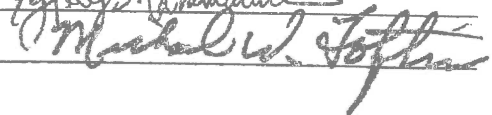
This statement of investment policy is adopted on _____ (date) by the trustees of the City of Galveston Employee's Retirement Plan whose signatures appear below.



Rodney Low







BYLAWS OF
THE BOARD OF TRUSTEES OF THE
CITY EMPLOYEES' RETIREMENT FUND
OF GALVESTON, TEXAS
(As revised May 13, 1994)

ARTICLE ONE: OFFICE

1.01 The office of the board is located in the Finance Department of the City of Galveston, City Hall, 823 Rosenberg, Galveston, Texas, and the name of the agent of the Board at such address is the Director of Finance, nevertheless, the Board of Trustees may at their sole discretion appoint another agent and office location for the Board.

ARTICLE TWO: TRUSTEES

Powers

2.01 The Trustees shall act only as a Board, and an individual Trustee shall have no power as such. All powers of the Board shall be exercised by the Board of Trustees or under its authority, and the business and affairs of the fund shall be controlled by the Board of Trustees, subject, however, to such limitations as are imposed by law or these Bylaws, as to actions to be authorized or approved by the employee members. The Board of Trustees may, by contract or otherwise, give general or limited or special power and authority to the officers of the Board to transact the general business, or any special business of the Board, and may give powers of attorney to officers of the Board to transact any special business requiring such authorization.

Number and Qualification of Trustees

2.02 The authorized number of Trustees of this Board shall be seven (7). The Trustees shall be either employee members or residents of the City of Galveston, Texas. The number of Trustees may be increased or decreased from time to time by amendment to these Bylaws but no decrease shall have the effect of shortening the term of any incumbent Trustee. Provided, however, that the number of city employees on the Board shall never be less than three.

Election and Term of Office

2.03 The Trustees shall be elected or appointed as follows: One Trustee who shall be a resident of the City shall be appointed by the Mayor. One Trustee who shall be a member of the Finance Department and also a member of the Employees' Retirement Plan shall be appointed by the City Manager. Two Trustees who shall be residents of the City shall be appointed by the Board. Provided, however, the two members initially appointed by the Board shall serve one year terms, the two members initially appointed by the Mayor and City Manager shall serve two year terms and the three members initially elected by the employee members shall serve three year terms. Thereafter, all Board members shall serve three year terms.

Vacancies

2.04 Vacancies of the elected members of the Board of Trustees may be filled by the Board. (And other Trustees' positions shall be filled by the person or entity originally appointing them, i.e., the Mayor, the City Manager, or Retirement Board of Trustees). Regarding that Trustee that was originally elected by the Plan members, and which becomes vacant during his/her three year term, the Board shall appoint a Trustee to fill that unexpired term. Notice of the appointment shall be posted by the Secretary of the Board of Trustees within seventy-two (72) hours of the appointment. Provided, however, if ten (10%) percent of the Plan members file the petition within sixty (60) days of notice of the Board appointment, an election must be held within thirty (30) days of the petition to fill the unexpired term. The petition, if filed, shall be tendered to the Director of Finance, or other named agent of the Board of Trustees.

Place of Meetings

2.05 All meetings of the Board of Trustees shall be held at the conference room adjacent to the City Council Chambers on the second floor of City Hall or at any other place as may be designated from time to time by the Chairman or a majority of the Board or by written consent of all of the members of the Board.

Regular Meetings

2.06 Regular meetings of the Board of Trustees shall be held, with notice, and as may be required to comply with the provisions of the Texas Open Meetings Act, if applicable. The Board shall have at least one regular meeting each quarter of the fiscal year. Regular meetings shall commence at 2:00 p.m. on the sixth Tuesday following the end of the preceding quarter of the calendar year. All employee members of the City Employees' Retirement Fund of the City of Galveston, Texas, may attend these regular meetings except for those meetings which may be closed to the public under the Texas Open Meetings Act. No employee member, however, may participate in a regular meeting except where the regular meeting is also the annual meeting to elect Trustees. The Board may, by resolution, adopt rules of conduct and procedure for its meetings. Until these rules are adopted or where the rules do not address the matter, the conduct and procedure of the meetings shall conform to and be governed by Robert's Rules of Order, Revised.

Call and Notice of Meeting

2.07 Meetings of the Board of Trustees for any purpose shall be called at any time by the Chairman; if the Chairman is absent or unable or refuses to act, by the Vice Chairman or by a majority of the Board of Trustees. Written notices of the meetings, stating the time and in general terms the purpose or purposes thereof, shall be mailed or telefaxed or personally delivered or communicated by telephone conversation to each Trustee not later than seventy-two (72) hours before the meeting. Emergency meetings can be called with two (2) hours' notice with the same type of notices. Notice of all meetings shall be posted on the bulletin board next to the Council Conference Room.

Quorum

2.08 A majority of the authorized member of Trustees, to include at least one non-employee Trustee, shall be necessary to constitute a quorum for the transaction of business, except to adjourn as hereinafter provided. Every act or decision by a majority of the Trustees present shall be regarded as the act of the Board of Trustees, unless a greater number is required law.

Adjournment - Notice

2.09 The Trustees may adjourn any Trustees' meeting to meet again at a stated hour on a stated place. Notice of the time and place where an adjourned meeting will be held should be given to absent Trustees, and to the public, if the time and place is fixed at the adjourned meeting.

Conduct of Meetings

2.10 The Chairman or, in the Chairman's absence, the Vice Chairman or in the Chairman and Vice Chairman's absence, any Trustee selected by the Trustees present, shall preside at meetings of the Board of Trustees. The Secretary of the Board or, in the Secretary's absence, any person appointed by the presiding officer, shall act as Secretary of the Board of Trustees.

Compensation

2.11 Trustees, Officers and members of committees shall serve without compensation.

Limitation of Liability Indemnification of Trustees and Officers

2.12 The Board of Trustees shall not be liable to the City or the employee members for monetary damages for acts or omissions that occur in the Trustees' capacity as Trustees or the Officers' capacity as officers. This article does not limit the liability of the Trustees and Officers for acts or omissions for: (1) a breach of duty of loyalty to the City of Galveston Employees' Retirement Fund, or its employee members; (2) a bad faith breach of a Trustee's or Officer's duty to the Retirement Fund, intentional misconduct, or a knowing violation of the law; (3) a transaction from which a Trustee or Officer received an improper benefit, whether or not the benefit resulted from an action taken within the scope of the Trustee's or Officer's office or duties; or (4) an act or omission for which the liability of a Trustee or Officer is expressly provided by applicable law. Any present or former Trustee, Officer, or employee of the Board shall be indemnified against judgments, penalties, fine settlements, and reasonable expenses actually incurred by the person in connection with a proceeding in which the person was, is, or is threatened to be made a named defendant or respondent because the person is or was a Trustee, Officer, or employee of the Board to the extent such indemnification is authorized by Section 2-36 of the Galveston City Code, as amended, and to the extent authorized by other applicable laws.

Annual Meeting

2.13 The annual Board meeting will be held in August in order to present the annual financial report to Pension Plan members and to elect officers. The annual meeting is open to attendance and participation by all members of this Pension Plan.

ARTICLE THREE: OFFICERS AND COMMITTEES

Title and Appointment

3.01 The officers of the Board shall be a Chairman, Vice Chairman and Secretary and such assistants and other officers as the Board of Trustees shall from time to time determine. Any two offices may be held by one person. All officers shall be appointed by and hold office at the pleasure of the Board of Trustees. Only Trustees can be officers. The Board shall jointly serve as Plan Administrator and shall appoint an Assistant Administrator to handle the day-to-day affairs of the Plan. The Board may also form

one or more committees to investigate, review or contemplate recommendations to the Board on any matter within the power of the Board or relating to the Plan. Only Board, however, may make any final action on any recommendations by any such committee. Any committee created by the Board shall be composed of at least one Board member, and may be composed of as many plan members, who are not Trustees, whom the Board determines, in its sole discretion, are appropriate to serve on said committees.

Powers and Duties of Officers

3.02 The officers of the fund shall have the powers and duties generally ascribed to the respective offices, and such additional authority or duty as may, from time to time, be established by the Board of Trustees.

ARTICLE FOUR: EXECUTION OF INSTRUMENTS

4.01 The Board of Trustees may, at its discretion, authorize an officer or officers, or other person or persons, to execute any instrument or document.

ARTICLE FIVE: RECORDS AND REPORTS AND FINANCIAL GUIDELINES

Inspection of Books and Records

5.01 All books and records provided for by law shall be open to inspection for the Plan members during regular business hours. The Trustees may examine such books and records.

Adoption of Investment Guidelines

5.02 The Board of Trustees shall by Resolution establish investment guidelines and adopt policies, and objectives consistent with the City of Galveston Employees' Retirement Plan for City Employees, as restated and amended, consistent with sound municipal investment fiscal and financial principles and regulations.

ARTICLE SIX: AMENDMENT OF BYLAWS

Amendment of Bylaws

6.01 The power to alter, amend, or repeal these Bylaws is vested in the Trustees.

REVISED by the Board of Trustees on _____, 1994.

ATTEST.

Robert D. Richardson, Secretary

Revised on May 13, 1994

City of Galveston Employees' Retirement Plan for Police
Jacque Vasquez
Job List

Estimate Requests – When an employee asks for an estimate of what their retirement benefits would be I do the following: Research reports for figures needed to figure estimate, enter figures into estimate program, print estimate and go over estimate with employee. Finally, I scan all information to Go File Room and file in employee's folder.

Terminations Non-Vested - When an employee leaves employment before 5 years they will bring me a copy of their final pay check stub. I make a copy of their pay check stub and pull their file. I then research reports for their contributions to the Plan during their employment. Next I type a Contribution Refund Form and assemble additional forms as required. When that is complete I go over the forms with the former employee and have them fill out all required forms. Next I copy all forms and give them to the former employee for their files. Then I type a Contribution Distribution Request Form and email it to Moody National Bank. Once all is completed and I receive the completion forms from Moody National Bank I scan it all to Go File Room and file in employees file to be filed away.

Terminations Vested - When an employee leaves employment after being employed 5 years or more they will bring me a copy of their final pay check stub. I make a copy of their pay check stub and pull their file. I then research reports for figures needed for actuary to be able to figure their benefit options. Next I enter these figures into the Benefit Calculation Request Program, print the form and email it to the Actuary. When I receive the calculations back from the Actuary I go over the benefit options with the former employee. Once they have selected which option they would prefer I either type a New Retiree Set Up Form and email it to Moody National Bank or type a Contribution Refund Form and email it to Moody National Bank. Finally, I scan all information to Go File Room and file the former employees file in the either the monthly benefit payment files or the Lump Sum Contribution Files.

Loan Requests - When an employee requests a loan against his contributions to the Plan I research the employee's total contributions to date, figure 25% of their contributions and check to see if they have any outstanding loans. Next I type a Loan Approval Form and email it to Geoff Gainer and Dan Buckley. Once I receive an approval I request creditor payment information from the employee. I then run an Amortization Schedule for loan payment amount and completion date. Next I type a Loan Application, Promissory Note and Security Agreement. I then go over the forms with the employee, have them signed and notarized. Next I type a letter requested payments and email request and forms to Moody National Bank. I then type a letter to the City showing payroll loan deduction and email to Charlotte at the City. Once all is completed, I make copies for the Employee, make a loan file and scan all forms and requests to our Go File Room.

Changes

- When a former employee that receives a monthly benefit has a change of address, direct deposit information or passes away I type a change form and email the form to Moody national Bank. The forms are then scanned to Go File Room and filed.

Surviving Spouse

- When a former employee that receives a monthly benefit passes away I type a Surviving Spouse Form, assemble forms and mail to the surviving spouse. After receiving the forms, I type a New Retiree Set Up form and email it to Moody National Bank. Finally, I scan the information to Go File Room and file the forms.

**Annual Benefit
Certificates**

- In order to try to keep up with former employees who receive monthly benefits I send an Annual Benefit Certificate Letter once a year and have them sign, put their current telephone number and return the letter to me. I check them and send second request letters to those former employees that do not respond. Finally, I scan the letters to Go File Room and file the letters in the employee files.

New Employees

- When the City sends me new employee Applications for Membership in the Retirement Plan I scan the applications to Go File Room and make permanent files for them. Finally, I file the new files.

Miscellaneous

- Research answers to questions from employees or former employees, print reports provided by Moody National Bank and scan to Go File Room. Reserve room for Board Meetings, email agenda to City Secretary for posting.

Job Description

Galveston Retirement Fund for Police

Employee: Marie Nash – Administration

Duties:

Receive & File - Monthly and Quarterly Statements from Schwab
Scan - Monthly and Quarterly Statements from Schwab to Go File Room
Email - Monthly and Quarterly Statements from Schwab to Board and accountant
File - Trade confirmations from Schwab

Answer Phone calls and direct to Jacque
Greet employees who come in for assistance
Make copies and print reports for Board meetings
Scan Board Reports to Go File Room
Type Annual Letters and mail to members
Scan returned annual letters Go File Room
File returned annual letters to member's file
Prepare Meeting Booklets for Board Members
Update Meeting Booklets for Board Members

Galveston Employees Retirement Quarterly Report June 30, 2020

CITY OF GALVESTON **EMPLOYEE RETIREMENT FUND**

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Capital Markets Overview
SECOND QUARTER 2020

- The S&P 500 completely reversed course in the second quarter despite entering a recession in 1Q. Equities rallied 20.5% on the quarter, following a quarter in which they lost -19.6%. Global equities rallied significantly as the spread of the COVID-19 virus slowed and record fiscal and monetary policy supported financial markets. International equities have underperformed the US slightly on the quarter despite actually outperforming over the month of June. MS & Co. CIO and Chief US Equity Strategist, Mike Wilson, has increased his 2020 price target for the S&P 500 to 3,350, citing a potential V-shaped recovery.
- All sectors of the S&P 500 went from being in the red in the first quarter to all being green in the second. Information Technology proved to be resilient in the first quarter and continued the charge into the second. In addition, Energy outperformed amid a tick up in demand in oil with WTI rallying 94% in Q2 despite briefly going negative in April. Tech, Energy, and Consumer Discretionary were the top-performing sectors, returning 30.5%, 30.5%, and 32.9%, respectively. Laggards included Financials, Consumer Staples, and Utilities despite still increasing by 12.2%, 8.1%, and 2.7%, respectively. Other major US indices were also up for the quarter: The Dow Jones rose 18.5% and the NASDAQ rose 30.9%.
- The MSCI EAFE Index (a benchmark for international developed markets) rose 15.1% while the MSCI Emerging Markets Index rose 18.1% for the quarter. Although underperforming US equities for the quarter, international developed and emerging markets outperformed in the month of June by 150 and 540 basis points, respectively.
- The US aggregate bond market was positive for a consecutive quarter and outperformed on an absolute but not on a relative basis as investors took on more risk within pro-recovery trades. The Bloomberg Barclays US Aggregate Bond Index, a general measure of the bond market, rose 2.9%.
- Morgan Stanley & Co. economists expect US real GDP will be -9.5% in Q2 2020 due to a halt in economic growth around the world amid global quarantine efforts surrounding COVID-19.

Index Performance	2Q20	YTD	1 Year	3 Year	5 Year	7 Year	10 Year	15 Year	20 Year
Equities:									
Standard & Poor's 500	20.54	-3.08	7.51	10.73	10.73	12.13	13.99	8.83	5.91
Russell Mid Cap	24.61	-9.13	-2.24	5.79	6.76	9.40	12.35	8.51	8.22
Russell 2000	25.42	-12.98	-6.63	2.01	4.29	7.17	10.50	7.01	6.69
Russell Micro Cap	30.54	-11.21	-4.77	0.85	2.86	6.53	9.93	5.65	6.53
MSCI All Country World ex USA	16.12	-11.00	-4.80	1.13	2.26	3.71	4.97	4.44	N/A
MSCI Emerging Markets	18.08	-9.78	-3.39	1.90	2.86	3.22	3.27	6.33	N/A
Fixed Income:									
Bloomberg Barclays U.S. Aggregate	2.90	6.14	8.74	5.32	4.30	3.96	3.82	4.39	5.14
Bloomberg Barclays Long Treasury	0.25	21.20	25.37	12.06	9.25	8.40	7.74	7.19	7.87
Bloomberg Barclays Long Credit	11.08	5.92	13.19	8.70	8.51	7.86	7.77	6.84	7.93
Bloomberg Barclays Municipal Bond	2.72	2.08	4.45	4.22	3.93	4.11	4.22	4.28	4.92
Bloomberg Barclays High Yield	10.18	-3.80	0.03	3.34	4.79	4.99	6.68	6.84	7.00
Blended:									
50%MSCI ACWI / 50%Barclays Agg	10.88	0.25	5.96	6.10	5.67	6.11	6.74	5.75	N/A
Non-Traditional:									
HFRI Fund of Funds Composite	7.18	-2.25	-0.19	2.02	1.36	2.60	2.72	2.59	3.05
Bloomberg Commodity Index	5.08	-19.40	-17.36	-6.14	-7.69	-8.10	-5.82	-4.34	-0.83
S&P GSCI Gold Index	12.07	17.13	25.63	12.18	8.07	4.94	3.03	9.00	8.81
Consumer Price Index	-0.29	-0.48	0.71	1.75	1.59	1.46	1.71	1.91	2.03
90 Day Treasury Bill	0.14	0.52	1.55	1.73	1.15	0.83	0.61	1.28	1.58

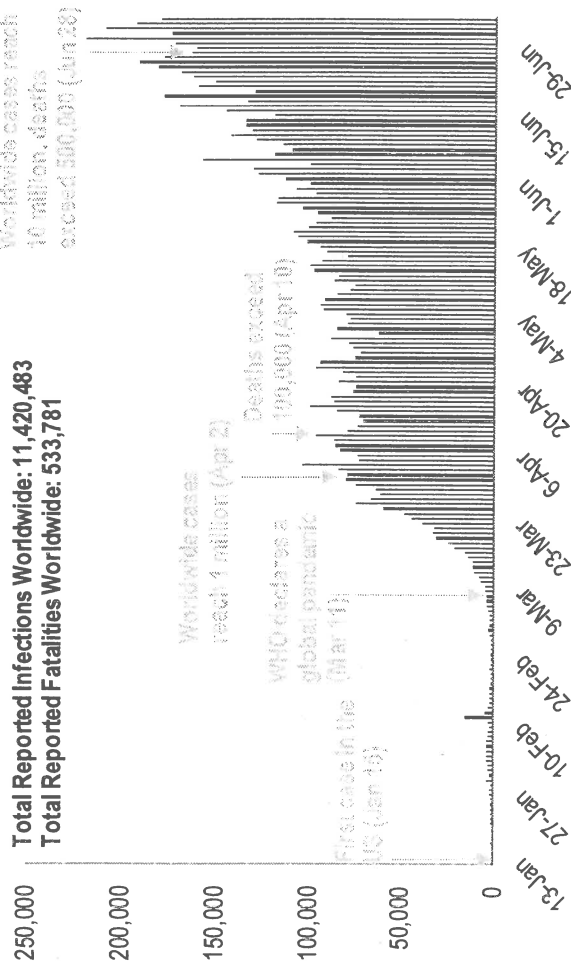
COVID-19 Update



Asset
Management

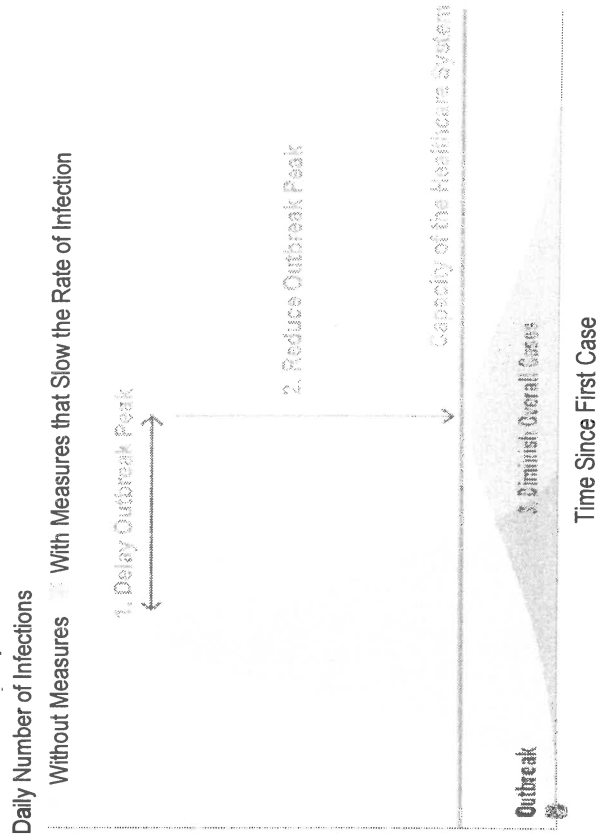
Cases	Virus	Shutdown	Vaccine	Treatment
>11mm Total confirmed cases worldwide	2.3 Estimated coronavirus natural reproduction number	~95% Of global economies were placed under lockdown	12-18 Month condensed timeline to vaccine development	250 Potential treatments, including drug screening initiatives

Global New Daily Cases



Total Reported Infections Worldwide: 11,420,483
Total Reported Fatalities Worldwide: 533,781

Illustrative Development of a Pandemic Over Time

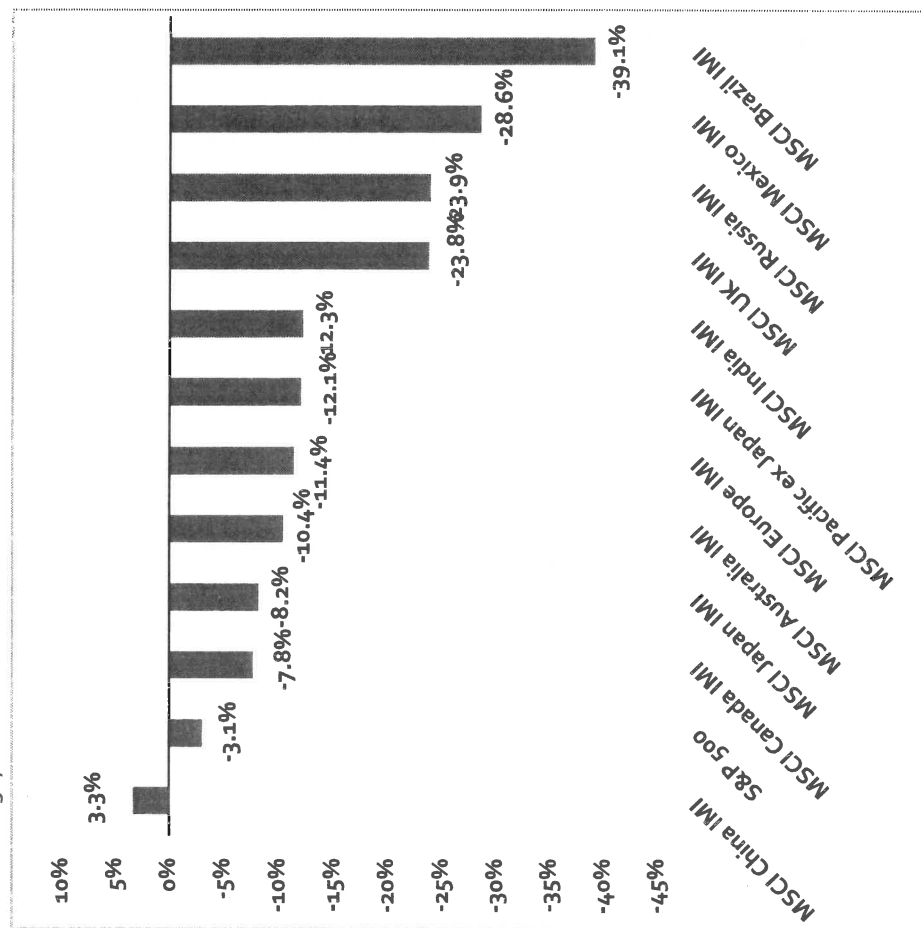


Source: Bloomberg, World Health Organization, and GSAM. As of July 6, 2020. Past performance does not guarantee future results, which may vary.

Region and US Sector Year-to-Date Equity Performance

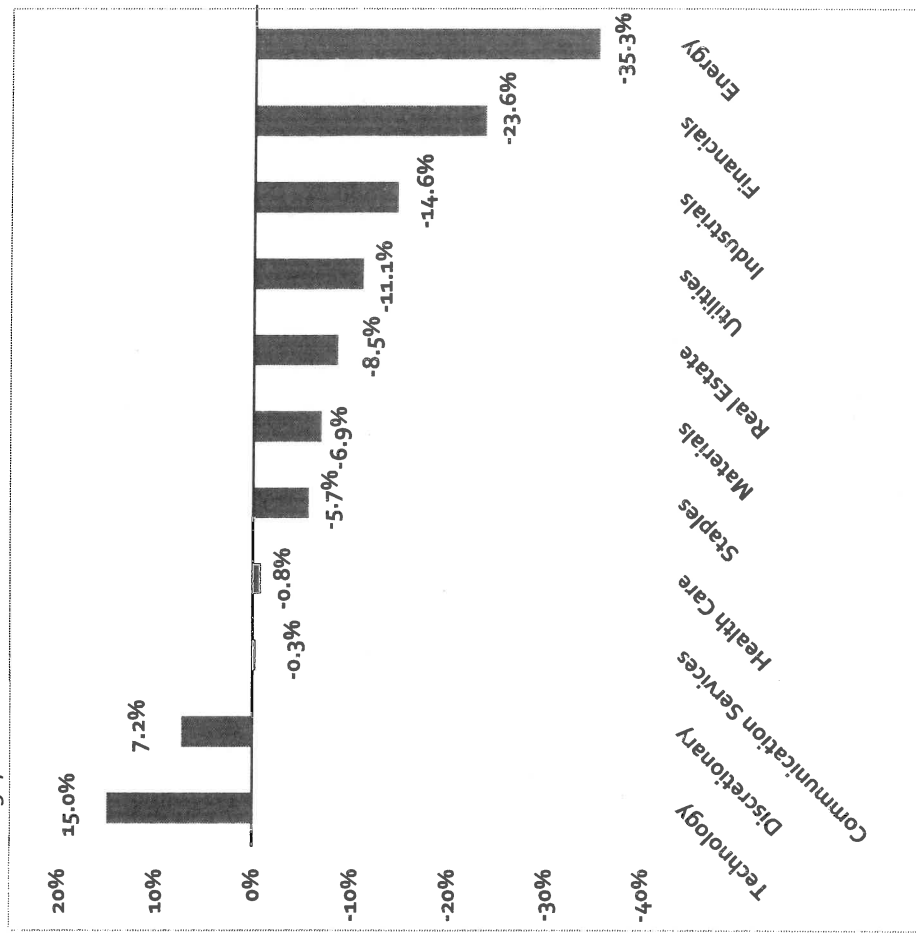
YTD Total Return

As of June 30, 2020



S&P 500 Sectors – YTD Total Returns

As of June 30, 2020



Source: Bloomberg, Morgan Stanley Wealth Management GIC

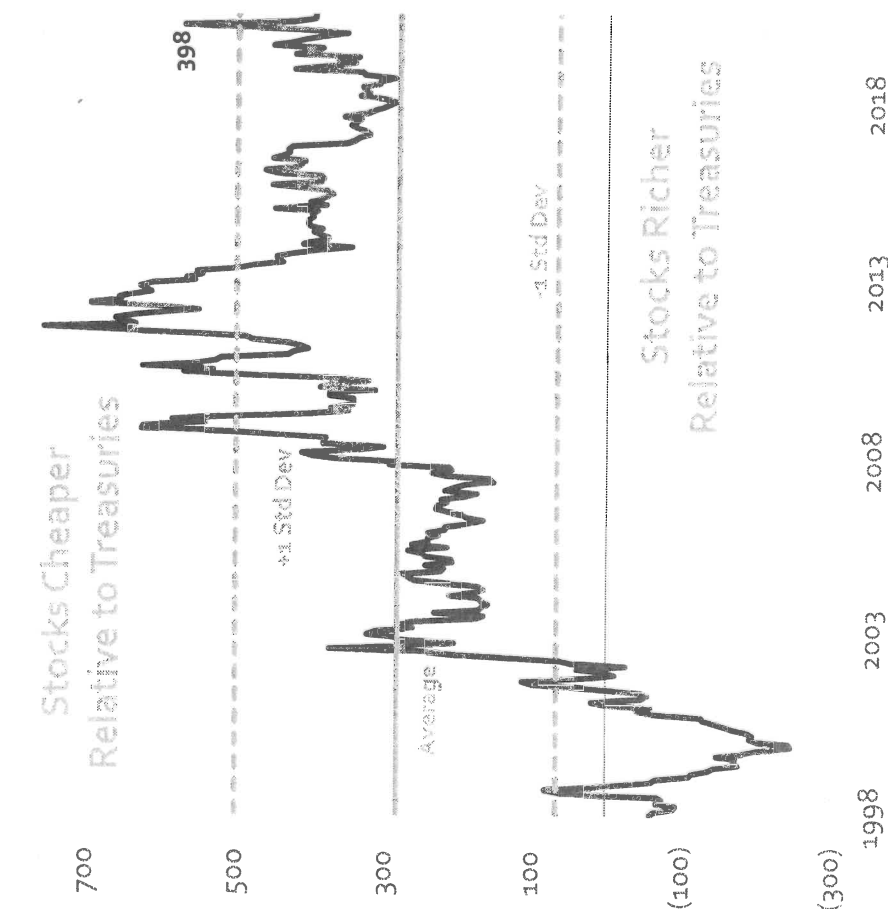
Past performance is no guarantee of future results. Estimates of future performance are based on assumptions that may not be realized. This material is not a solicitation of any offer to buy or sell any security or other financial instrument or to participate in any trading strategy. Please refer to important information, disclosures and qualifications at the end of this material. This slide sourced from Market Performance section.

WEALTH MANAGEMENT INVESTMENT RESOURCES | CHARTBOOK | MARKET PERFORMANCE

Current Indicators: Equity Valuation

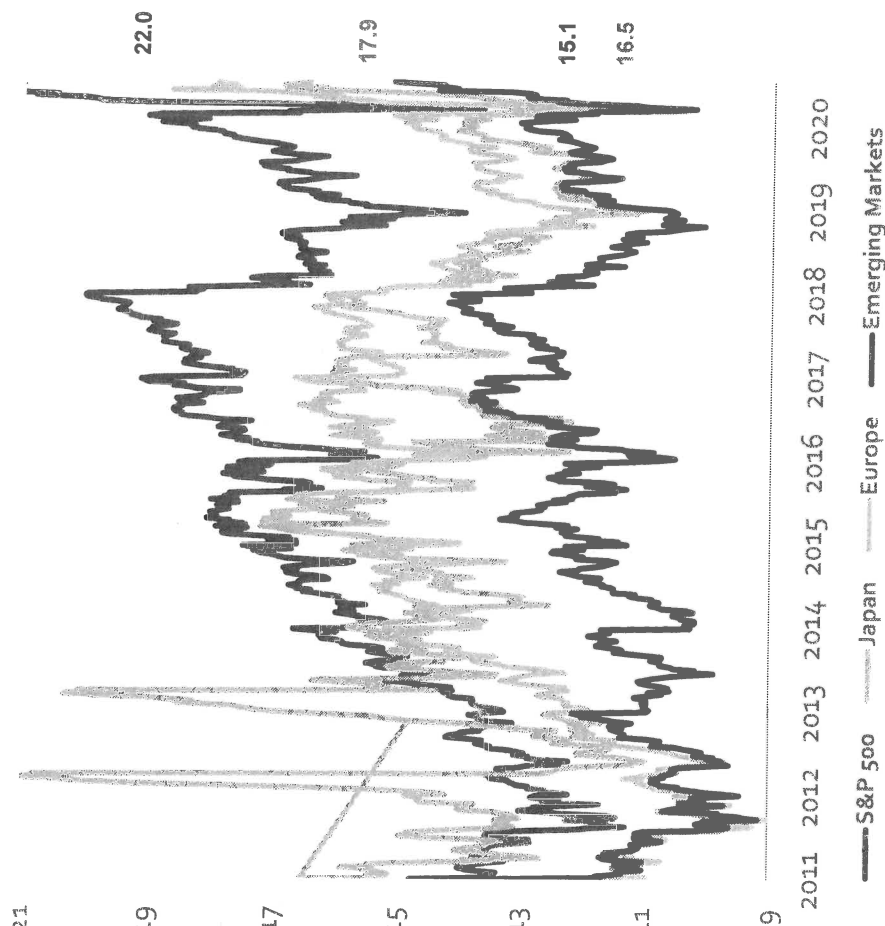
S&P 500 Equity Risk Premium⁽¹⁾

As of June 30, 2020



P/E Relative to Rest of World

As of July 10, 2020



Source: FactSet, Morgan Stanley Wealth Management GIC. Note: (1) Equity risk premium = S&P 500 forward earnings yield – 10-year Treasury yield. Equity risk premium is the excess return that an individual stock or the overall stock market provides over a risk-free rate. The risk-free rate represents the interest an investor would expect from an absolutely risk-free investment over a specified period of time. Standard deviation (volatility) is a measure of the dispersion of a set of data from its mean.

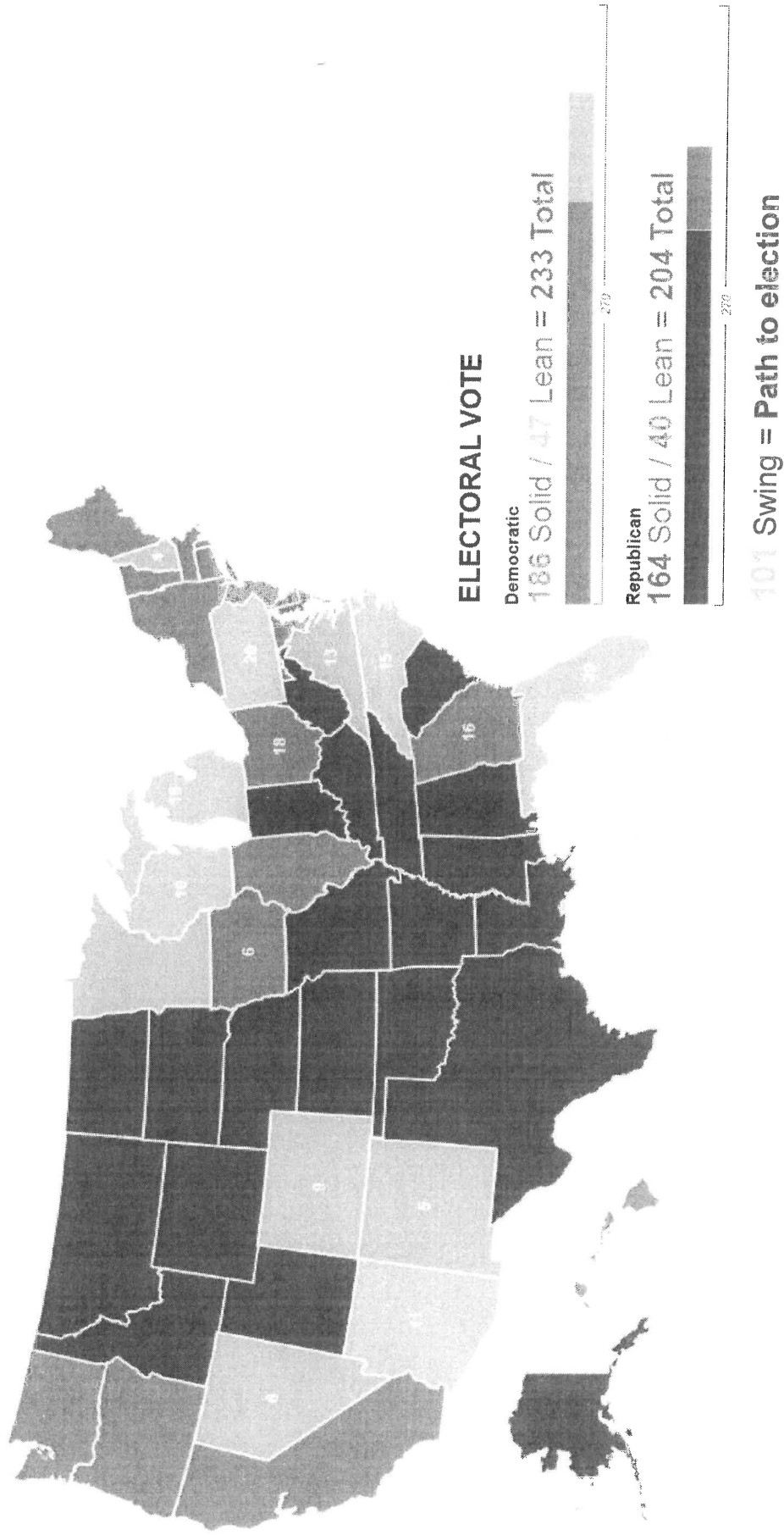
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2020 Presidential Snapshot



Asset
Management

The path to 270 electoral college votes may run through six toss-up states



Source: Real Clear Politics and GSAM. As of June 30, 2020. For illustrative purposes only.

2020 Elections

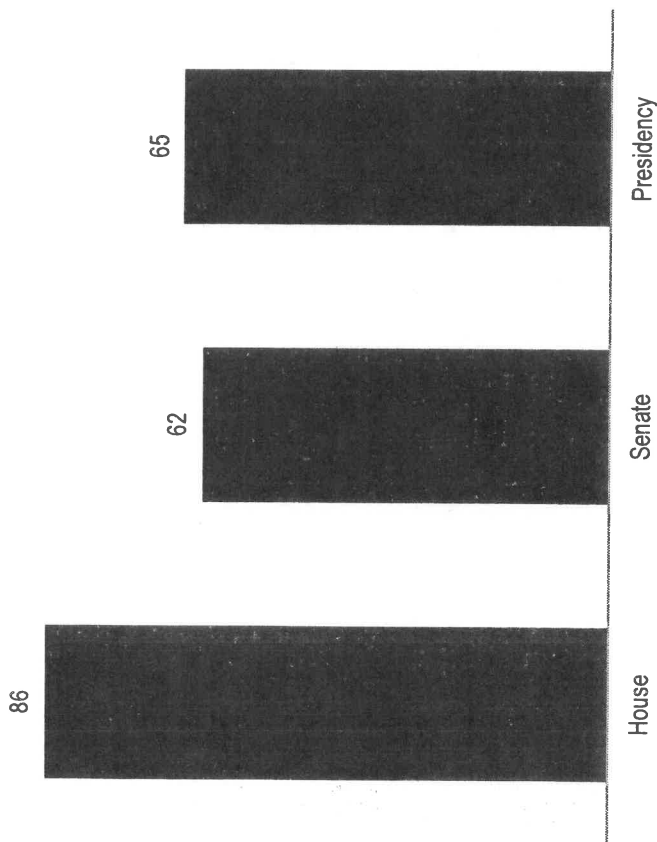


Asset
Management

Political rhetoric may be larger than policy impact

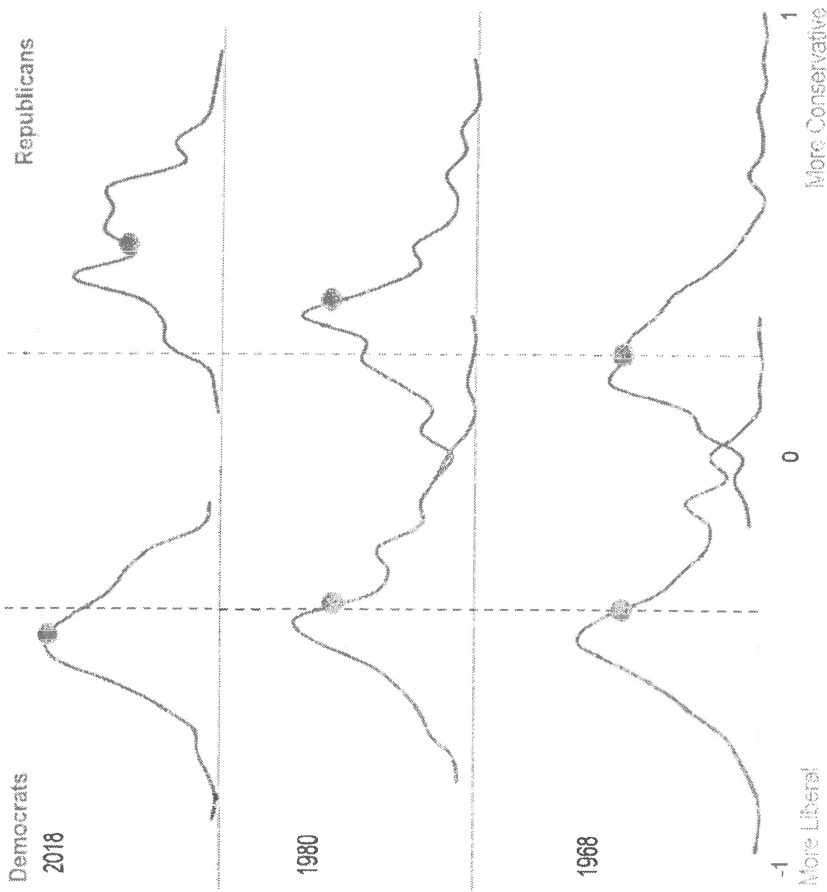
Prediction markets suggest narrow margins

Odds that Democrats will win in 2020 (%)



Divided government suggests limited policy changes

Distribution of Political Ideology in Congress
● Party Median
-- 1968 Median

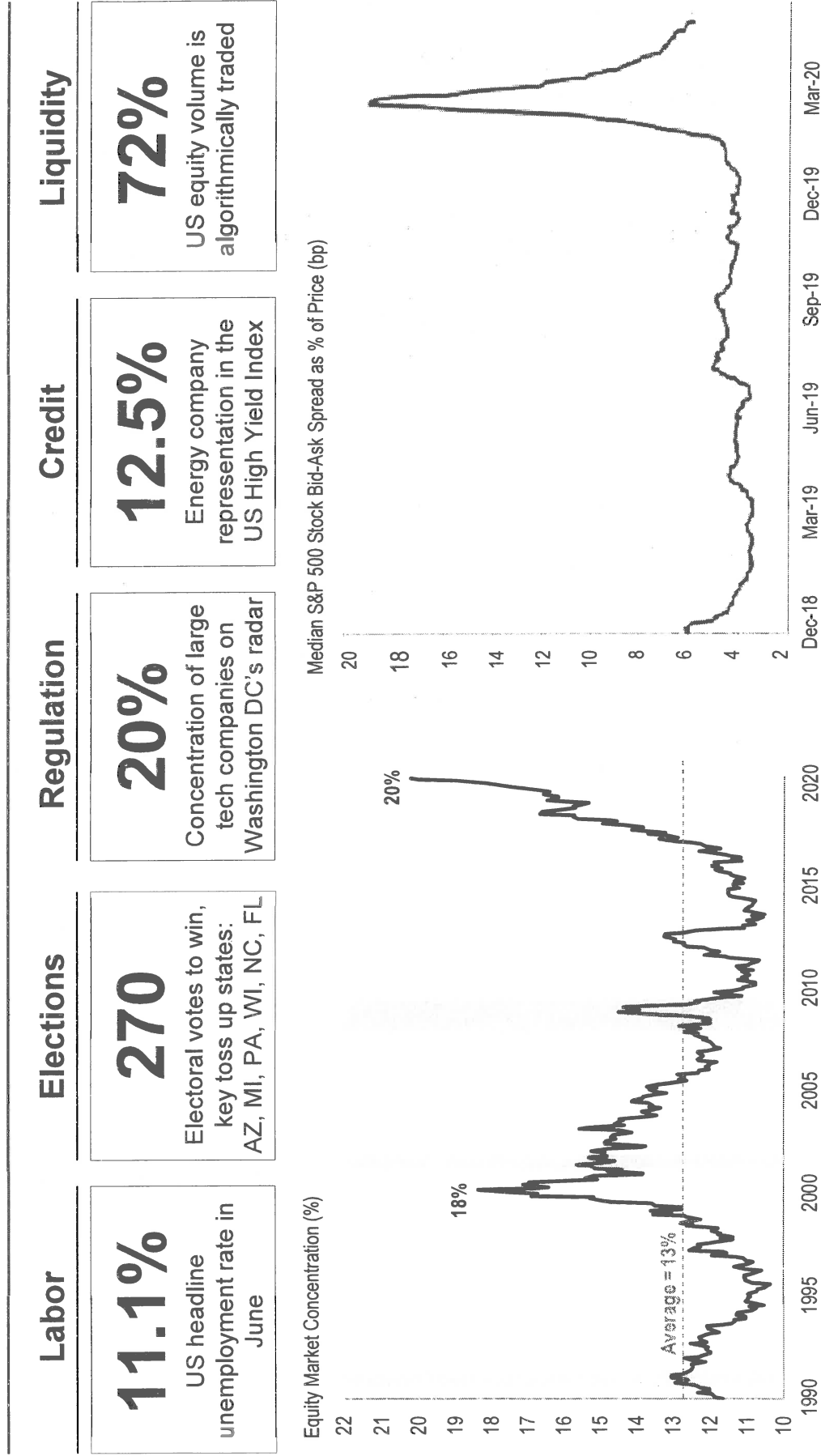


Source: Bloomberg, PredictIt, VoteView, and GSAM. As of June 30, 2020. The economic and market forecasts presented herein are for informational purposes as of the date of this presentation. There can be no assurance that the forecasts will be achieved. Please see additional disclosures at the end of this presentation. For illustrative purposes only.

Sources of Volatility



Asset
Management

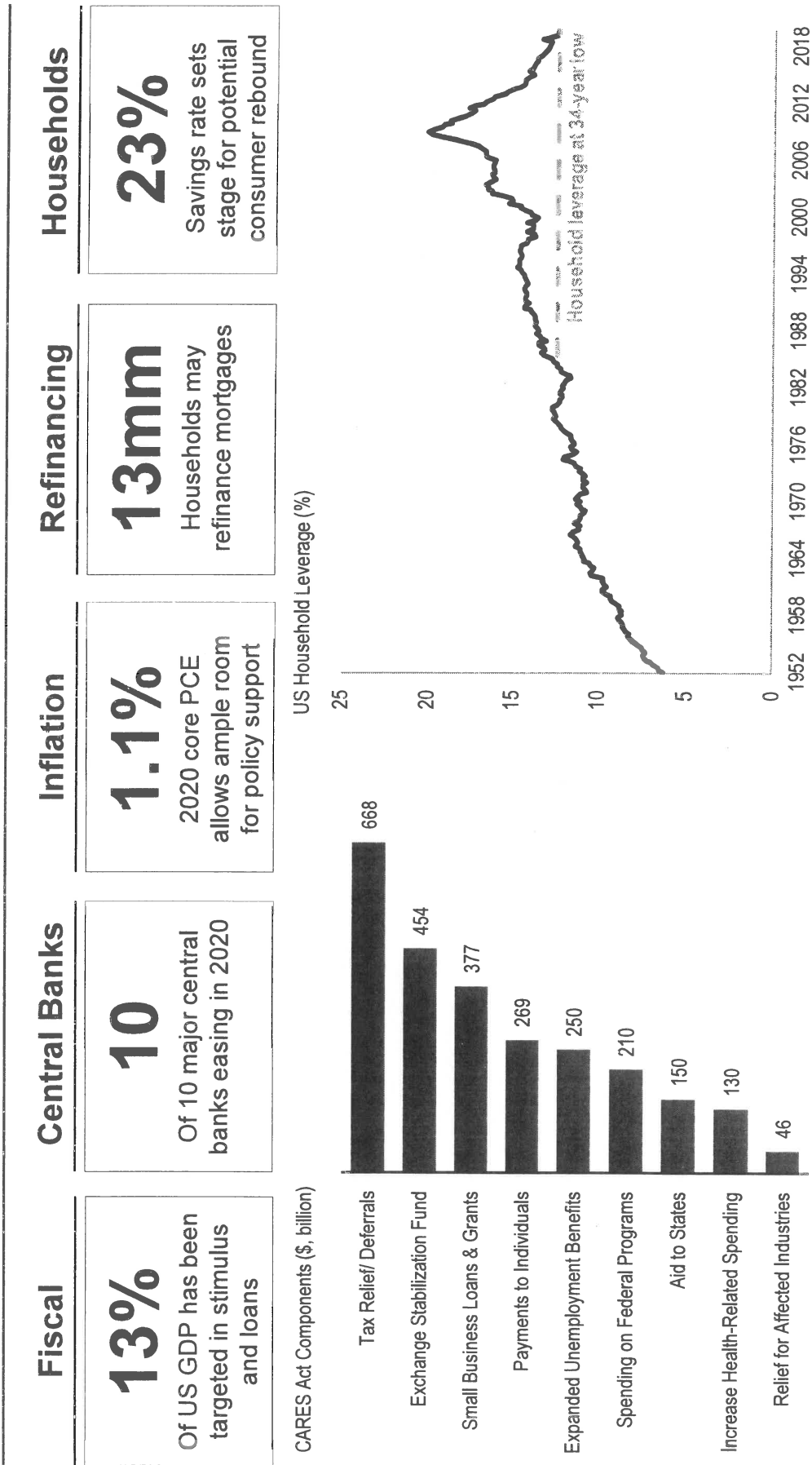


Source: Bloomberg, Goldman Sachs Global Investment Research, and GSAM. As of June 30, 2020. Bottom Left Chart Notes: Chart shows the market capitalization of the five largest companies in the S&P 500 as a share of the S&P 500 Index total. Bottom Right Chart Notes: Chart shows the 10-day average of the median bid-ask spread of companies in the S&P 500 index. "Bp" refers to basis point, equal to 1/100th of 1% or 0.01%. Past performance does not guarantee future results, which may vary.

Sources of Stability



Asset
Management



Top Table Source: Haver, Federal Reserve, Goldman Sachs Global Investment Research, CNBC, and GSAM. As of June 30, 2020. 'PCE' refers to personal consumption expenditures, the Federal Reserve's target measure of inflation. 'GFC' refers to the Global Financial Crisis, which began in 2007. Bottom Left Chart Source: Goldman Sachs Global Investment Research and GSAM. As of June 30, 2020. Bottom Right Chart Source: Federal Reserve of St Louis and GSAM. As of March 31, 2020, latest available data. Leverage refers to household liabilities as a percent of household assets. **Past performance does not guarantee future results, which may vary.**

City of Galveston
Employee Retirement Fund
Market Value Update
July 24, 2020

Manager Type	Style	Name	Market Value 6/30/2020	Total % of Class	Total % of Portfolio	Market Value 7/24/2020	Total % of Class	Total % of Portfolio
Equity	Large Cap Blend	iShares Core S&P 500 ETF	\$8,190,062	24.9%	15.0%	\$8,519,050	24.9%	15.2%
Equity	Large Cap Blend	iShares MSCI USA Min Vol ETF	\$8,294,123	25.2%	15.2%	\$8,607,393	25.1%	15.3%
Equity	Mid Cap Blend	Vanguard Mid Cap Index Fund	\$8,608,312	26.1%	15.8%	\$8,998,028	26.3%	16.0%
Equity	Small Cap Blend	iShares Core S&P Small-Cap ETF	\$3,996,604	12.1%	7.3%	\$4,098,436	12.0%	7.3%
Equity	Foreign Lg Blend	iShares Core MSCI EAFE ETF	\$2,554,538	7.8%	4.7%	\$2,657,327	7.8%	4.7%
Equity	Diversified EM	iShares Core MSCI Emerg. Mkts ETF	\$1,286,866	3.9%	2.4%	\$1,392,032	4.1%	2.5%
		Total Equity	\$32,930,505	100%	60.5%	\$34,272,266	100%	61.2%
Fixed	Interm-Term Bond	Baird Aggregate Bond Fund	\$3,501,571	22.8%	6.4%	\$3,549,131	22.7%	6.3%
Fixed	Interm-Term Bond	Metropolitan West Total Return Bond	\$3,792,409	24.7%	7.0%	\$3,841,790	24.6%	6.8%
Fixed	Interm-Term Bond	TIAA-CREF Bond Fund	\$3,416,455	22.3%	6.3%	\$3,459,078	22.2%	6.2%
Fixed	World Bond	Brandywine Global Opp	\$2,042,824	13.3%	3.8%	\$2,146,930	13.8%	3.8%
Fixed	Multisector Bond	PIMCO Income Fund	\$2,585,611	16.9%	4.8%	\$2,612,592	16.7%	4.7%
		Total Fixed	\$15,338,871	100%	28.3%	\$15,609,519	100%	27.8%
Other	Allo 50%-70% Equity	FPA Crescent	\$2,214,814	45.6%	4.1%	\$2,274,634	45.8%	4.1%
Other	Long-Short Equity	Salient Tactical Growth	\$1,268,495	26.1%	2.3%	\$1,289,963	26.0%	2.3%
Other	World Allocation	Wells Fargo Absolute Return	\$1,372,122	28.3%	2.5%	\$1,405,786	28.3%	2.5%
		Total Alternatives	\$4,855,431	100%	8.9%	\$4,970,382	100%	8.9%
Cash	Money Market	Cash Account	\$385,700	29.5%	0.7%	\$331,264	26.3%	0.6%
Cash	Money Market	Investment Account Cash	\$923,053	70.5%	1.7%	\$930,023	73.7%	1.7%
Cash	Money Market	Restricted Cash Account	\$210	0.0%	0.0%	\$210	0.0%	0.0%
		Total Cash & Equivalents	\$1,308,963	100%	2.4%	\$1,261,497	100%	2.2%
		Composite Total	\$54,433,769		100%	\$56,113,664		100%

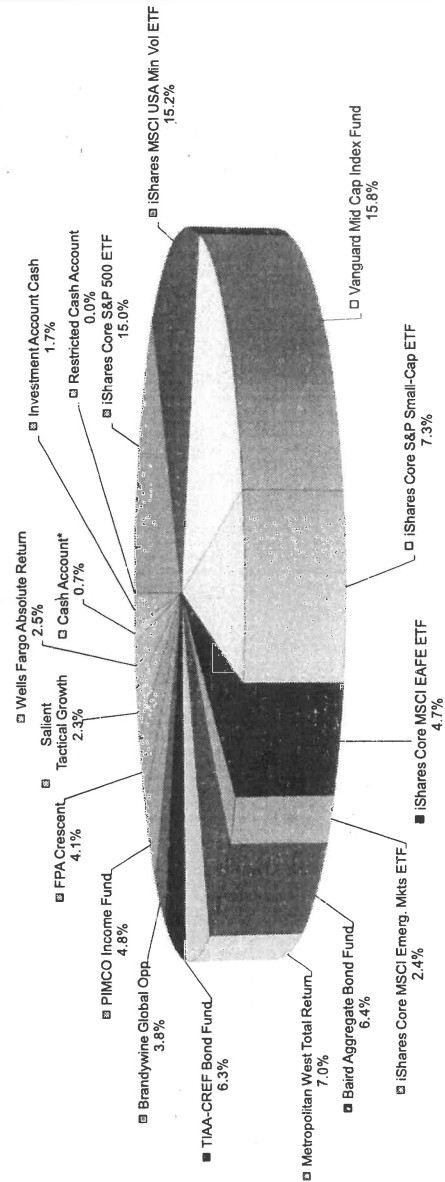
This investment evaluation is directed only to the client for whose account the evaluation was created. The underlying data has been obtained from sources considered to be reliable. The information is believed to be accurate, but there is no assurance that it is so. This evaluation is for informational purposes only and is not intended to be an offer, solicitation or recommendation with respect to the purchase or sale of any security or a recommendation of the services supplied by any money management organization.

CITY OF GALVESTON EMPLOYEE RETIREMENT FUND

June 30, 2020

Manager	Style	Market Value	Total % of Class	Total % of Portfolio
iShares Core S&P 500 ETF	Large Cap Blend	\$8,190,062	24.9%	15.0%
iShares MSCI USA Min Vol ETF	Large Cap Blend	\$8,294,123	25.2%	15.2%
Vanguard Mid Cap Index Fund	Mid Cap Blend	\$8,608,312	26.1%	15.8%
iShares Core S&P Small-Cap ETF	Small Cap Blend	\$3,996,604	12.1%	7.3%
iShares Core MSCI EAFE ETF	Foreign Large Blend	\$2,554,538	7.8%	4.7%
iShares Core MSCI Emerg. Mkts ETF	Diversified Emerg. Mkts	\$1,286,866	3.9%	2.4%
Total Equity		\$32,930,505	100%	60.4%
Baird Aggregate Bond Fund	Intermediate Core Bond	\$3,501,571	22.9%	6.4%
Metropolitan West Total Return Bond	Intermediate Core-Plus Bond	\$3,792,409	24.7%	7.0%
TIAA-CREF Bond Fund	Intermediate Core-Plus Bond	\$3,416,455	22.3%	6.3%
Brandywine Global Opp	World Bond	\$2,042,824	13.3%	3.8%
PIMCO Income Fund	Multisector Bond	\$2,585,611	16.9%	4.8%
Total Fixed Income		\$15,338,871	100%	28.3%
FPA Crescent	Allo 50%-70% Equity	\$2,214,814	45.6%	4.1%
Salient Tactical Growth	Long-Short Equity	\$1,268,495	26.1%	2.3%
Wells Fargo Absolute Return	World Allocation	\$1,372,122	28.3%	2.5%
Total Alternative		\$4,855,431	100%	8.9%
Cash Account*	Money Market	\$385,700	29.5%	0.7%
Investment Account Cash	Money Market	\$923,053	70.5%	1.7%
Restricted Cash Account	Money Market	\$210	0.0%	0.0%
Total Cash & Equivalents		\$1,308,963	100%	2.4%
Composite Total		\$54,433,769		100%

Current Manager Asset Allocation
June 30, 2020



* Not included in performance.

City of Galveston Employee Retirement Fund

ESTIMATED ANNUAL EXPENSE ANALYSIS

June 30, 2020

THE QUANTITATIVE GROUP														
MANAGER ACCESS					COMBINED					COMBINED				
MANAGER	MARKET VALUE	MANAGER FEE	TOTAL \$	ADVISORY FEE	TOTAL \$	ESTIMATED ANNUAL FEE \$	ESTIMATED ANNUAL FEE %	AVERAGE MORNINGSTAR EXPENSE RATIO BY STYLE AS OF 6/2020	MORNINGSTAR STYLE					
iShares Core S&P 500 ETF	8,190,062	0.03%	2,457	0.14%	11,466	13,923	0.17%	0.92%	Large Cap Blend					
iShares MSCI USA Min Vol ETF	8,294,123	0.15%	12,441	0.14%	11,612	24,053	0.29%	0.92%	Large Cap Blend					
Vanguard Mid Cap Index Fund	8,608,312	0.04%	3,443	0.14%	12,052	15,495	0.18%	1.04%	Mid Cap Blend					
iShares Core S&P Small-Cap ETF	3,996,604	0.06%	2,398	0.14%	5,595	7,993	0.20%	1.11%	Small Cap Blend					
iShares Core MSCI EAFE ETF	2,554,538	0.07%	1,788	0.14%	3,576	5,365	0.21%	0.99%	Foreign Large Blend					
iShares Core MSCI Emerg. Mkts ETF	1,286,866	0.13%	1,673	0.14%	1,802	3,475	0.27%	1.32%	Diversified Emerging Mkts.					
Baird Aggregate Bond Fund	3,501,571	0.25%	8,754	0.14%	4,902	13,656	0.39%	0.66%	Intermediate Core Bond					
Metropolitan West Total Return Bond	3,792,409	0.35%	13,273	0.14%	5,309	18,583	0.49%	0.80%	Intermediate Core-Plus Bond					
TIAA-CREF Bond Fund	3,416,455	0.28%	9,566	0.14%	4,783	14,349	0.42%	0.80%	Intermediate Core-Plus Bond					
Brandywine Global Opp	2,042,824	0.50%	10,214	0.14%	2,860	13,074	0.64%	0.96%	World Bond					
PIMCO Income Fund	2,585,611	0.50%	12,928	0.14%	3,620	16,548	0.64%	1.07%	Multisector Bond					
FPA Crescent	2,214,814	1.00%	22,148	0.14%	3,101	25,249	1.14%	1.10%	Allocation 50% - 70% Equity					
Salient Tactical Growth	1,268,495	1.15%	14,588	0.14%	1,776	16,364	1.29%	2.13%	Long-Short Equity					
Wells Fargo Absolute Return	1,372,122	0.72%	9,879	0.14%	1,921	11,800	0.86%	1.19%	World Allocation					
Investment Account Cash	923,053	0.00%	0	0.14%	1,292	1,292	0.14%	0.46%	Money Market - Taxable					
Restricted Cash Account	210	0.00%	0	0.14%	0	0	0.14%	0.46%	Money Market - Taxable					
Cash Account	385,700	0.00%	0	0.14%	540	540	0.14%	0.46%	Money Market - Taxable					
TOTAL	\$54,433,769		\$125,551		\$76,207	\$201,759		(for reference purposes only)						

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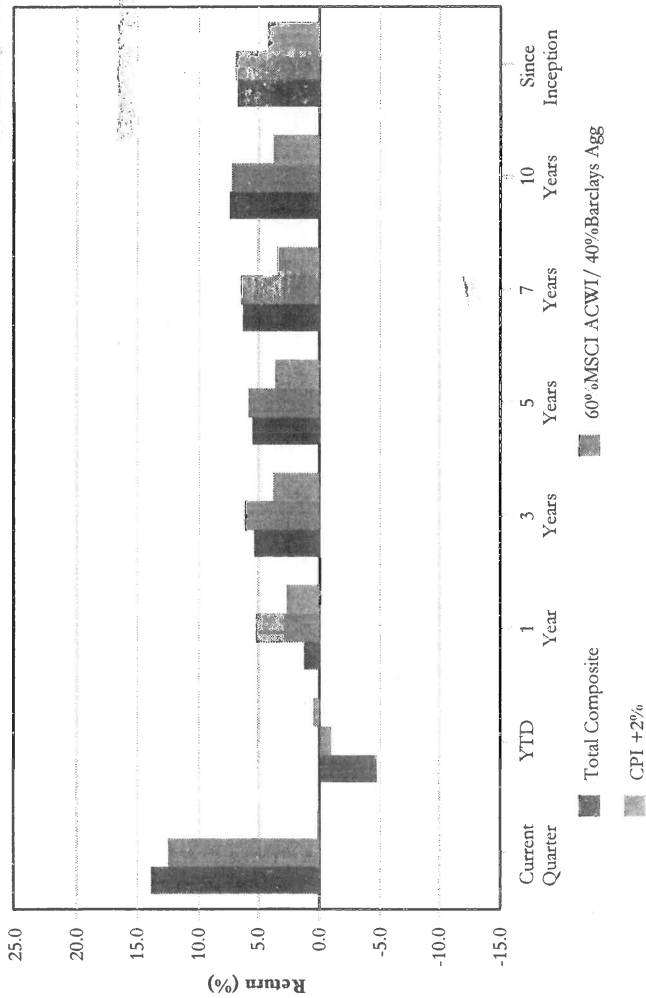
Executive Summary Table

Allocation			Performance(%)							
Market Value (\$000)	%	Current Quarter	YTD	1 Year	3 Years	5 Years	7 Years	10 Years	Since Inception	Inception Date
Total Composite	100	13.91	-4.80	1.22	5.42	5.51	6.27	7.39	6.83	10/01/1992
60%MSCI ACWI/ 40%Barclays Agg CPI +2%		12.52 0.21	-1.01 0.49	5.29 2.76	6.16 3.84	5.87 3.65	6.49 3.49	7.26 3.74	6.91 4.23	
iShares Core S&P 500 ETF S&P 500 Total Return	15	20.34 20.54	-3.23 -3.08	7.33 7.51	10.61 10.73				11.90 11.95	01/01/2016
iShares MSCI USA Min Vol ETF S&P 500 Total Return	15	12.81 20.54	-6.58 -3.08	0.31 7.51	9.58 10.73				10.84 11.95	01/01/2016
Vanguard Mid Cap Index Russell Midcap	16	24.96 24.61	-7.16 -9.13	-0.18 -2.24	6.47 5.79	7.00 6.76	9.80 9.40		11.20 10.88	10/01/2012
iShares S&P Small Cap S&P 600 SC	7	22.13 21.94	-17.91 -17.85	-11.30 -11.28	0.58 0.56				4.11 4.07	10/01/2016
iShares MSCI EAFE ETF MSCI AC World ex US Net	5	15.99 16.12	-11.30 -11.00	-4.46 -4.80					-0.14 -0.27	09/01/2017
iShares MSCI Emerging Mkts ETF MSCI EM Net	2	18.72 18.08	-10.63 -9.78	-4.45 -3.39					-1.45 -0.83	09/01/2017
Baird Aggregate Bond Fund Barclays Aggregate	6	4.79 2.90	6.35 6.14	9.24 8.74					6.13 5.89	12/01/2017
Met West Total Return Bond Barclays Aggregate	7	4.07 2.90	6.48 6.14	9.07 8.74	5.66 5.32	4.36 4.30			3.94 3.89	07/01/2014
TIAA-CREF Bond Fund Barclays Aggregate	6	5.64 2.90	4.68 6.14	7.32 8.74					5.17 5.89	12/01/2017
Brandywine Global Opp Citi World Govt Bond	4	10.76 2.04	-1.83 4.08	0.48 4.60	1.54 3.98	2.64 3.70	2.17 2.21		1.72 1.01	10/01/2012
PIMCO Income Instl Barclays Aggregate	5	6.48 2.90	-1.68 6.14	0.69 8.74	3.33 5.32	4.69 4.30	5.28 3.96		5.12 3.35	01/01/2013

Executive Summary Table

	Allocation		Performance(%)							
	Market Value (\$000)	%	Current Quarter	YTD	1 Year	3 Years	5 Years	7 Years	10 Years	Since Inception
FPA Crescent	2,215	4	15.00	-8.59	-4.18	2.12	3.89			3.53
HFRI Equity Hedge Total			13.33	-3.19	0.78	3.03	3.10			3.52
Salient Tactical Growth	1,268	2	1.80	1.38	6.06					2.46
HFRI Equity Hedge Total			13.33	-3.19	0.78					0.06
Wells Fargo Absolute Return	1,372	3	7.60	-9.58	-5.99	-0.17				2.16
HFRI Equity Hedge Total			13.33	-3.19	0.78	3.03				4.54

Portfolio Performance (%)

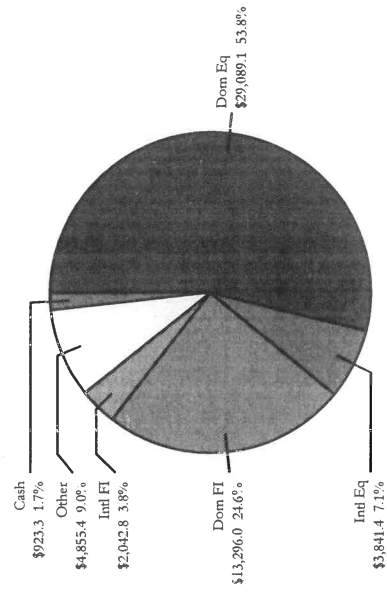


	Current Quarter	YTD	1 Year	3 Years	5 Years	7 Years	10 Years	Since Inception
Total Composite	13.91	-4.80	1.22	5.42	5.51	6.27	7.39	6.83
60% MSCI ACWI/ 40% Barclays Agg	12.52	-1.01	5.29	6.16	5.87	6.49	7.26	6.91
CPI + 2%	0.21	0.49	2.76	3.84	3.65	3.49	3.74	4.23

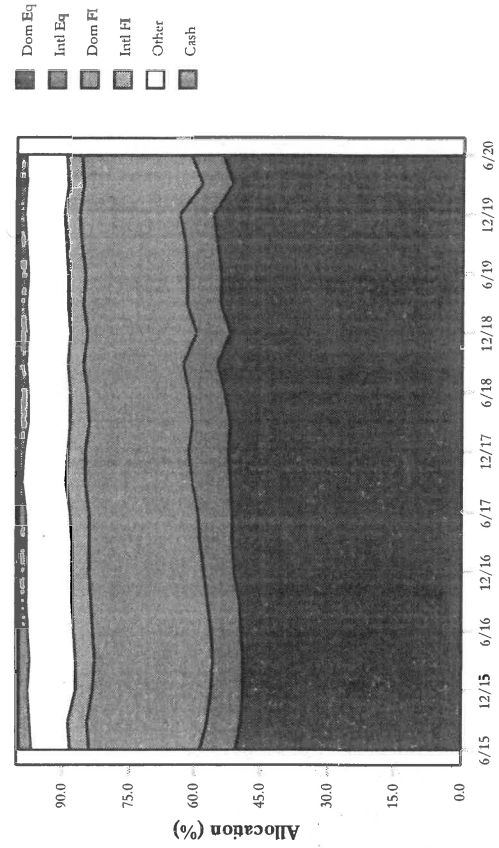
Asset Growth (\$000)

	Current Quarter	YTD	1 Year	3 Years	5 Years	7 Years	10 Years	Since Inception
Total Composite	47,498	56,830	54,395	48,096	44,801	40,268	32,838	17,015
Beginning Market Value	-50	-50	-1,004	-2,202	-3,917	-6,277	-9,466	-24,810
Net Contributions	6,600	-2,732	656	8,153	13,164	20,057	30,676	61,843
Gain/Loss	54,048	54,048	54,048	54,048	54,048	54,048	54,048	54,048
Ending Market Value	54,048	54,048	54,048	54,048	54,048	54,048	54,048	54,048

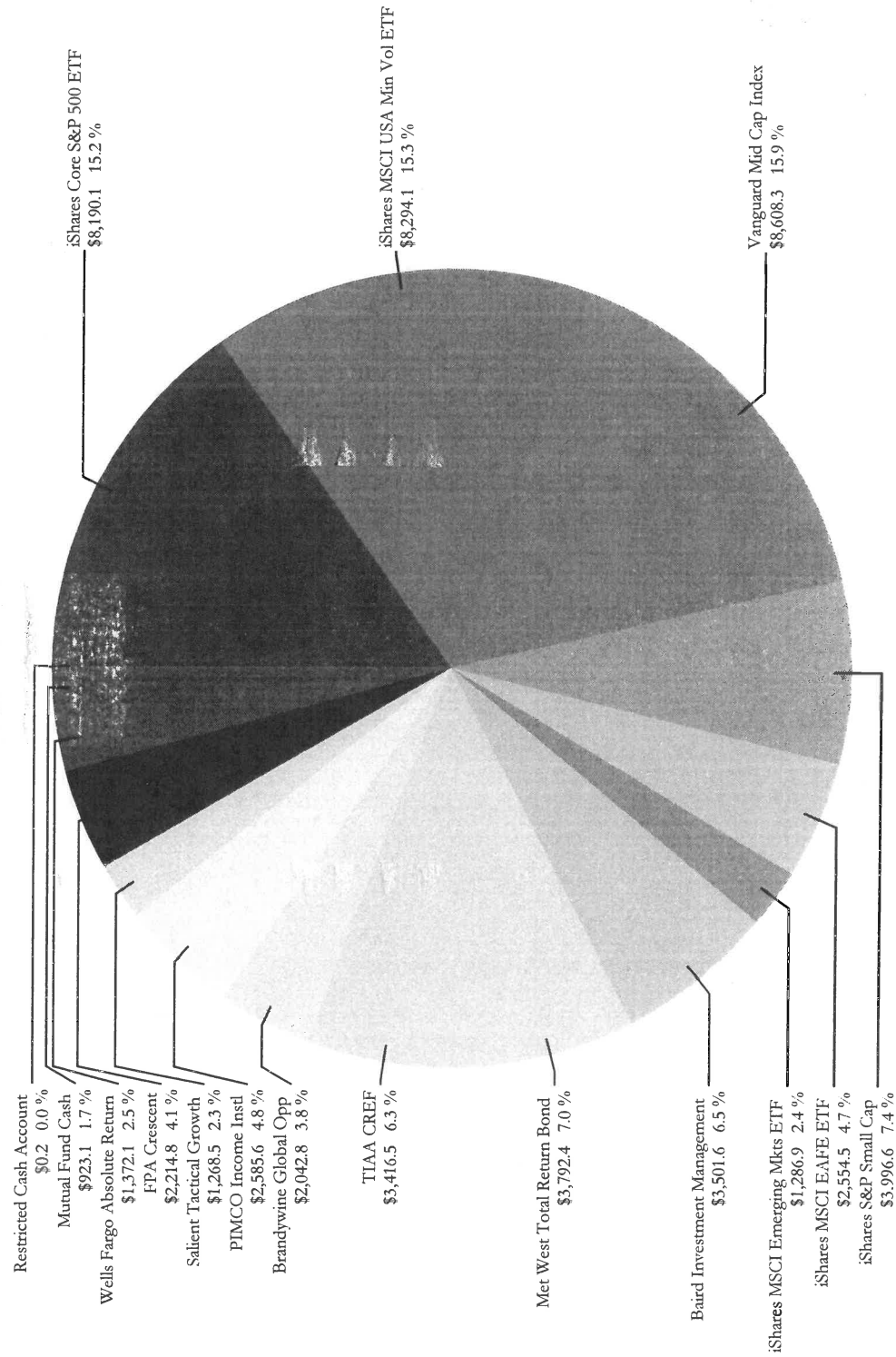
Asset Allocation (\$000)



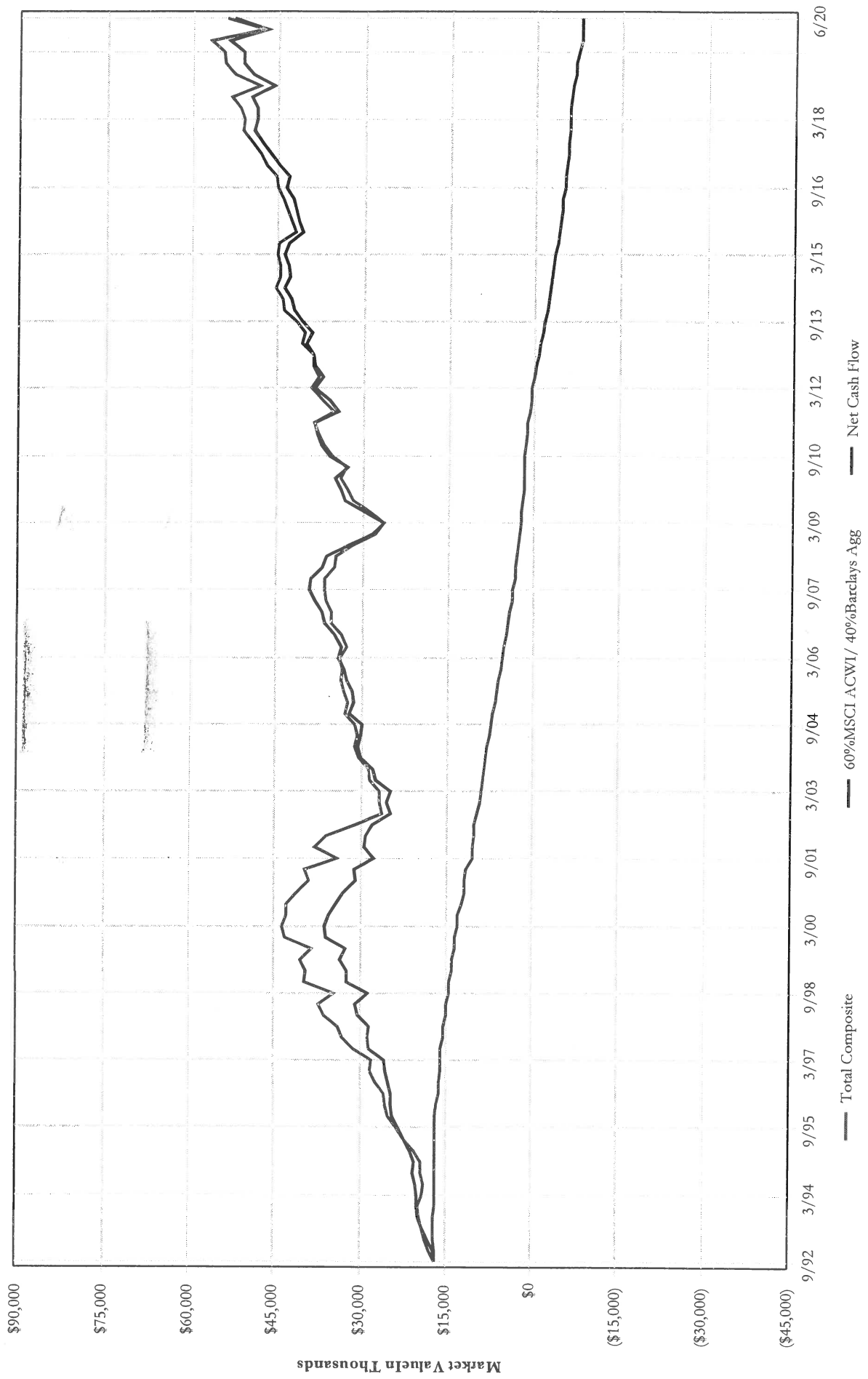
Allocation Over Time



Allocation By Manager (\$000)



Sources of Portfolio Growth



Sources of Portfolio Growth

Periods Ending	Beginning Market Value (\$000)	Net Cash Flow (\$000)	Investment Increment (\$000)	Ending Market Value (\$000)	%Return	Unit Value
Sep-1992	-	-	-	17,015	N/A	100.00
Dec-1992	17,015	-	804	17,819	4.73	104.73
Mar-1993	17,819	22	731	18,572	4.10	109.02
Jun-1993	18,572	-	431	19,003	2.32	111.55
Sep-1993	19,003	-	483	19,486	2.54	114.39
Dec-1993	19,486	-100	386	19,772	1.98	116.65
Mar-1994	19,772	-18	-610	19,144	-3.09	113.05
Jun-1994	19,144	-	-174	18,969	-0.91	112.02
Sep-1994	18,969	-	308	19,277	1.62	113.83
Dec-1994	19,277	-	83	19,360	0.43	114.32
Mar-1995	19,360	-	1,132	20,493	5.85	121.01
Jun-1995	20,493	-	2,008	22,501	9.80	132.87
Sep-1995	22,501	-	1,148	23,649	5.10	139.65
Dec-1995	23,649	-100	1,660	25,209	7.03	149.46
Mar-1996	25,209	-100	437	25,546	1.74	152.06
Jun-1996	25,546	-500	742	25,788	2.95	156.55
Sep-1996	25,788	-	1,494	27,282	5.79	165.61
Dec-1996	27,282	-300	1,400	28,383	5.14	174.13
Mar-1997	28,383	-	-232	28,151	-0.82	172.70
Jun-1997	28,151	-	3,116	31,267	11.07	191.82
Sep-1997	31,267	-500	2,515	33,282	8.15	207.45
Dec-1997	33,282	-	685	33,967	2.06	211.72
Mar-1998	33,967	-500	2,987	36,454	8.90	230.57
Jun-1998	36,454	-	755	37,209	2.07	235.34
Sep-1998	37,209	-500	-2,130	34,579	-5.79	221.71
Dec-1998	34,579	-	5,095	39,674	14.74	254.39
Mar-1999	39,674	-502	424	39,596	1.08	257.14
Jun-1999	39,596	-	928	40,524	2.34	263.16
Sep-1999	40,524	-500	-1,484	38,540	-3.70	253.42
Dec-1999	38,540	-	4,710	43,250	12.22	284.39
Mar-2000	43,250	-500	832	43,582	1.94	289.91
Jun-2000	43,582	-	-572	43,010	-1.31	286.11
Sep-2000	43,010	-500	301	42,811	0.71	288.14

Sources of Portfolio Growth

Periods Ending	Beginning Market Value (\$000)	Net Cash Flow (\$000)	Investment Increment (\$000)	Ending Market Value (\$000)	%Return	Unit Value
Dec-2000	42,811	-480	-1,169	41,161	-2.75	280.22
Mar-2001	41,161	-	-2,269	38,892	-5.51	264.78
Jun-2001	38,892	-440	1,366	39,817	3.53	274.12
Sep-2001	39,817	-1,062	-4,578	34,178	-11.64	242.21
Dec-2001	34,178	-5	3,831	38,004	11.21	269.37
Mar-2002	38,004	-397	-1,414	36,193	-3.73	259.32
Jun-2002	36,193	-	-5,215	30,978	-14.41	221.95
Sep-2002	30,978	-500	-4,103	26,375	-13.43	192.14
Dec-2002	26,375	-500	1,076	26,951	4.09	200.00
Mar-2003	26,951	-32	-145	26,774	-0.54	198.92
Jun-2003	26,774	-244	2,109	28,639	7.91	214.66
Sep-2003	28,639	-305	516	28,850	1.81	218.54
Dec-2003	28,850	-306	2,083	30,626	7.26	234.41
Mar-2004	30,626	-301	891	31,216	2.92	241.25
Jun-2004	31,216	-401	-132	30,683	-0.41	240.25
Sep-2004	30,683	-301	788	31,170	2.60	246.49
Dec-2004	31,170	-301	2,007	32,875	6.48	262.47
Mar-2005	32,875	-336	-176	32,363	-0.55	261.02
Jun-2005	32,363	-317	1,024	33,070	3.10	269.11
Sep-2005	33,070	-317	927	33,680	2.81	276.68
Dec-2005	33,680	-317	80	33,443	0.25	277.37
Mar-2006	33,443	-317	719	33,844	2.16	283.36
Jun-2006	33,844	-317	-773	32,754	-2.30	276.84
Sep-2006	32,754	-317	1,327	33,764	4.08	288.14
Dec-2006	33,764	-317	1,813	35,260	5.40	303.69
Mar-2007	35,260	-317	335	35,278	0.96	306.59
Jun-2007	35,278	-317	1,323	36,284	3.76	318.12
Sep-2007	36,284	-200	533	36,616	1.48	322.83
Dec-2007	36,616	-272	257	36,602	0.70	325.10
Mar-2008	36,602	-197	-1,454	34,952	-3.98	312.16
Jun-2008	34,952	-197	-153	34,602	-0.45	310.76
Sep-2008	34,602	-197	-2,658	31,747	-7.72	286.77
Dec-2008	31,747	-197	-3,659	27,891	-11.54	253.67

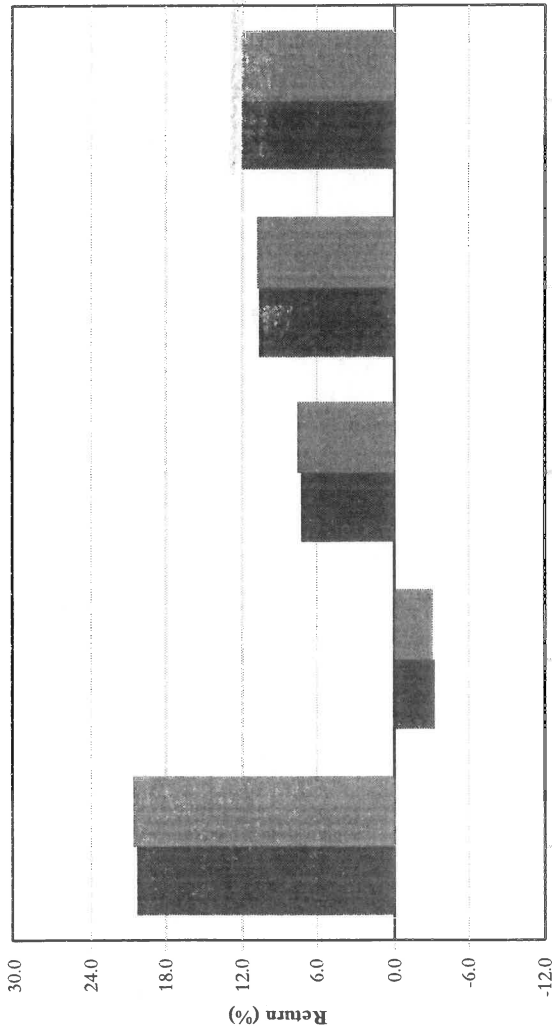
Sources of Portfolio Growth

Periods Ending	Beginning Market Value (\$000)	Net Cash Flow (\$000)	Investment Increment (\$000)	Ending Market Value (\$000)	%Return	Unit Value
Mar-2009	27,891	-197	-1,300	26,395	-4.66	241.85
Jun-2009	26,395	-196	2,627	28,826	9.99	266.01
Sep-2009	28,826	-196	3,086	31,716	10.75	294.60
Dec-2009	31,716	-131	1,090	32,675	3.45	304.77
Mar-2010	32,675	-	1,222	33,897	3.74	316.17
Jun-2010	33,897	-	-1,059	32,838	-3.12	306.29
Sep-2010	32,838	-	2,485	35,323	7.57	329.47
Dec-2010	35,323	-250	1,697	36,771	4.82	345.35
Mar-2011	36,771	-349	1,372	37,794	3.76	358.32
Jun-2011	37,794	-	696	38,489	1.84	364.91
Sep-2011	38,489	-500	-2,753	35,236	-7.20	338.63
Dec-2011	35,236	-250	2,111	37,098	5.99	358.92
Mar-2012	37,098	-	1,904	39,001	5.13	377.34
Jun-2012	39,001	-400	-907	37,694	-2.34	368.49
Sep-2012	37,694	-280	1,411	38,826	3.75	382.31
Dec-2012	38,826	-402	438	38,862	1.14	386.67
Mar-2013	38,862	-308	2,234	40,788	5.77	408.97
Jun-2013	40,788	-450	-70	40,268	-0.18	408.24
Sep-2013	40,268	-355	1,747	41,661	4.37	426.06
Dec-2013	41,661	-290	2,440	43,810	5.88	451.13
Mar-2014	43,810	-235	483	44,058	1.11	456.15
Jun-2014	44,058	-250	1,577	45,386	3.34	471.38
Sep-2014	45,386	-350	-546	44,490	-1.22	465.62
Dec-2014	44,490	-275	370	44,586	0.83	469.51
Mar-2015	44,586	-244	708	45,049	1.59	476.97
Jun-2015	45,049	-360	112	44,801	0.24	478.09
Sep-2015	44,801	-313	-2,684	41,804	-6.02	449.33
Dec-2015	41,804	-250	1,109	42,663	2.65	461.23
Mar-2016	42,663	-154	934	43,443	2.20	471.38
Jun-2016	43,443	-180	814	44,077	1.88	480.24
Sep-2016	44,077	-295	1,189	44,972	2.70	493.20
Dec-2016	44,972	-132	513	45,353	1.15	498.86
Mar-2017	45,353	-232	1,870	46,991	4.13	519.46

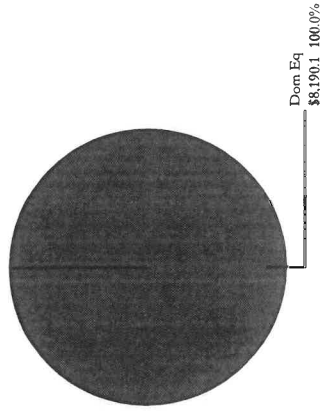
Sources of Portfolio Growth

Periods Ending	Beginning Market Value (\$000)	Net Cash Flow (\$000)	Investment Increment (\$000)	Ending Market Value (\$000)	%Return	Unit Value
Jun-2017	46,991	-160	1,266	48,096	2.70	533.46
Sep-2017	48,096	-50	1,509	49,555	3.13	550.17
Dec-2017	49,555	-174	1,807	51,188	3.65	570.27
Mar-2018	51,188	-64	-142	50,982	-0.28	568.69
Jun-2018	50,982	1	629	51,611	1.23	575.71
Sep-2018	51,611	-375	1,890	53,127	3.67	596.85
Dec-2018	53,127	-250	-4,688	48,188	-8.85	544.04
Mar-2019	48,188	-285	4,639	52,543	9.63	596.46
Jun-2019	52,543	-	1,853	54,395	3.53	617.49
Sep-2019	54,395	-460	613	54,548	1.13	624.49
Dec-2019	54,548	-494	2,776	56,830	5.13	656.52
Mar-2020	56,830	-	-9,332	47,498	-16.42	548.71
Jun-2020	47,498	-50	6,600	54,048	13.91	625.02
	17,015	-24,810	61,843	54,048	525.02	625.02

Portfolio Performance (%)

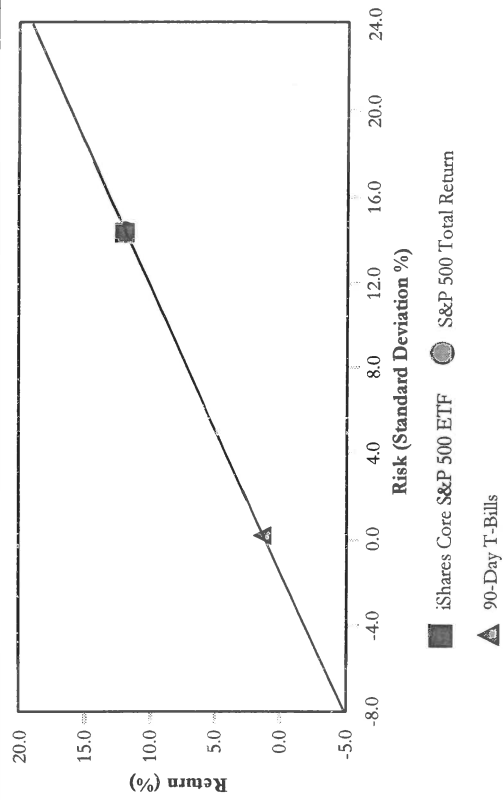


Asset Allocation (\$000)



Portfolio Characteristics vs. S&P 500 Total Return Since Inception

	Beta	Alpha	R-Squared	Sharpe Ratio	Inception Date
iShares Core S&P 500 ETF	0.99	0.01	1.00	0.77	01/01/2016

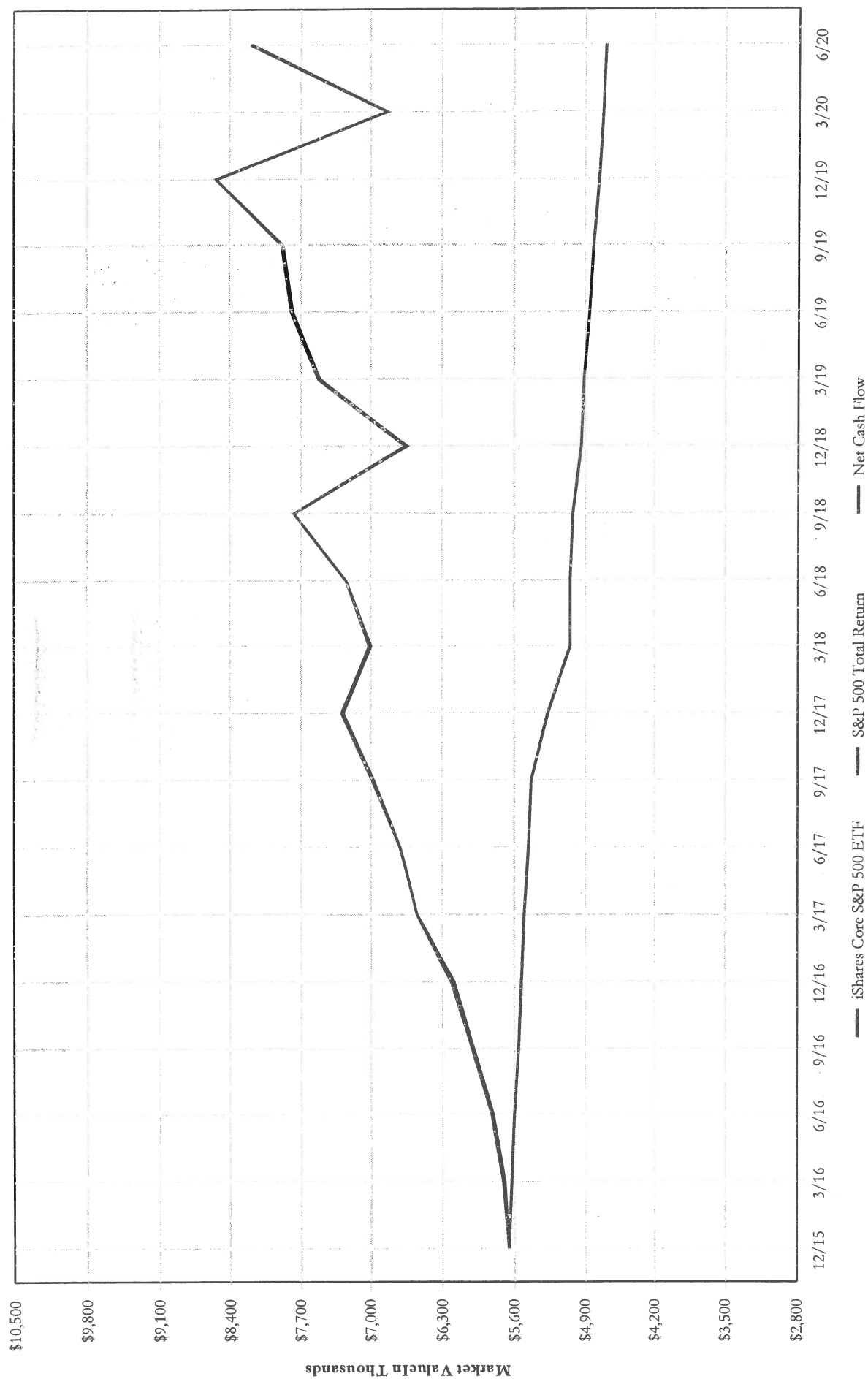


Asset Growth (\$000)

	Current Quarter	YTD	1 Year	3 Years	Since Inception	Inception Date
iShares Core S&P 500 ETF	6,834	8,548	7,795	6,718	5,654	01/01/2016
Beginning Market Value	-33	-74	-167	-777	-966	
Net Contributions	1,390	-284	562	2,249	3,502	
Gain/Loss	8,190	8,190	8,190	8,190	8,190	
Ending Market Value						

Actual inception 12/7/2015

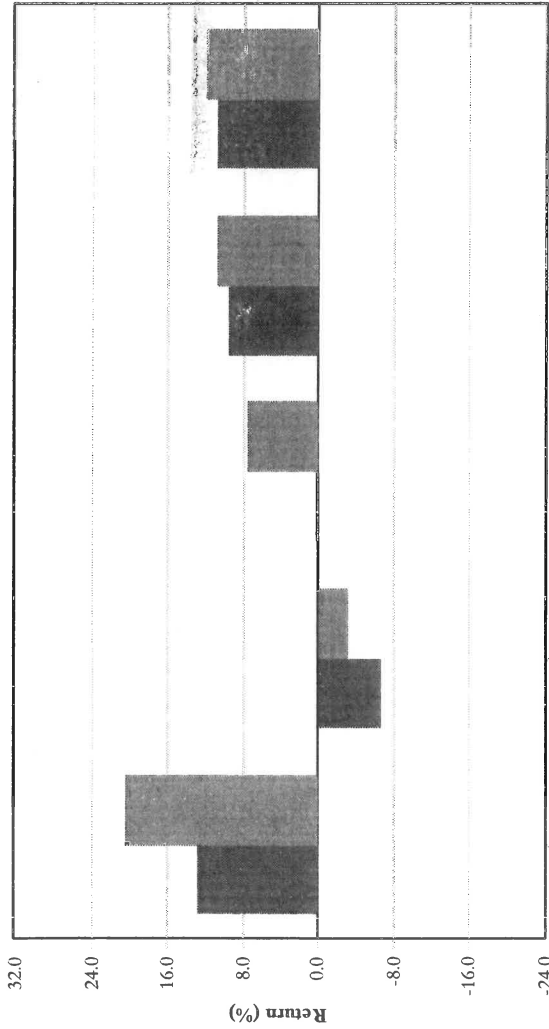
Sources of Portfolio Growth



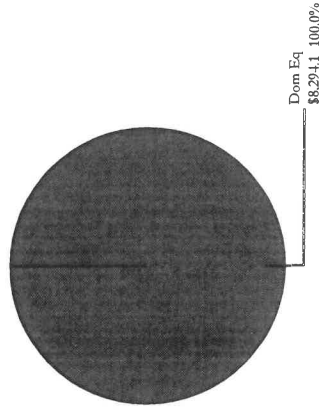
Sources of Portfolio Growth

Periods Ending	Beginning Market Value (\$000)	Net Cash Flow (\$000)	Investment Increment (\$000)	Ending Market Value (\$000)	%Return	Unit Value
Dec-2015	-	-	-	5,654	N/A	100.00
Mar-2016	5,654	-36	85	5,704	1.51	101.51
Jun-2016	5,704	-28	134	5,810	2.35	103.89
Sep-2016	5,810	-30	225	6,005	3.88	107.92
Dec-2016	6,005	-36	241	6,210	4.02	112.26
Mar-2017	6,210	-28	367	6,549	5.92	118.90
Jun-2017	6,549	-31	200	6,718	3.06	122.54
Sep-2017	6,718	-35	298	6,981	4.44	127.98
Dec-2017	6,981	-160	474	7,295	6.80	136.68
Mar-2018	7,295	-224	-54	7,018	-0.83	135.55
Jun-2018	7,018	-	237	7,255	3.38	140.13
Sep-2018	7,255	-34	554	7,775	7.67	150.88
Dec-2018	7,775	-72	-1,041	6,663	-13.46	130.58
Mar-2019	6,663	-38	901	7,525	13.55	148.27
Jun-2019	7,525	-47	316	7,795	4.22	154.52
Sep-2019	7,795	-39	139	7,895	1.78	157.27
Dec-2019	7,895	-54	708	8,548	8.97	171.38
Mar-2020	8,548	-40	-1,674	6,834	-19.59	137.82
Jun-2020	6,834	-33	1,390	8,190	20.34	165.85
	5,654	-966	3,502	8,190	65.85	165.85

Portfolio Performance (%)

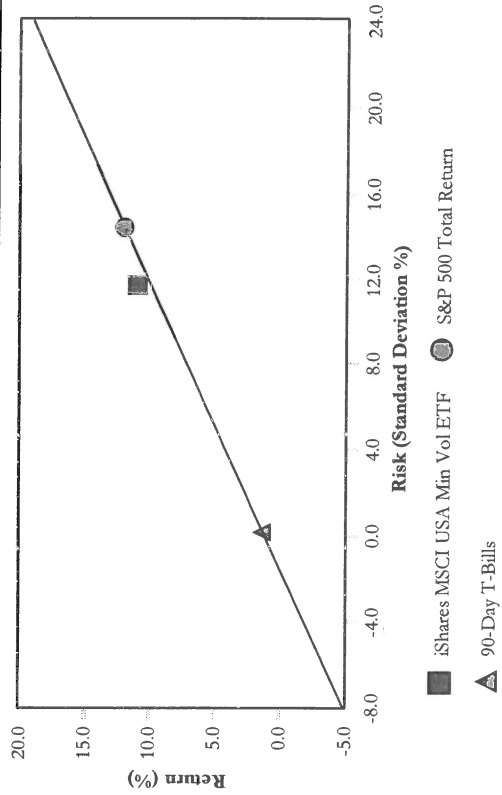


Asset Allocation (\$000)



Portfolio Characteristics vs. S&P 500 Total Return Since Inception

	Beta	Alpha	R-Squared	Sharpe Ratio	Inception Date
iShares MSCI USA Min Vol ETF	0.74	1.93	0.82	0.83	01/01/2016

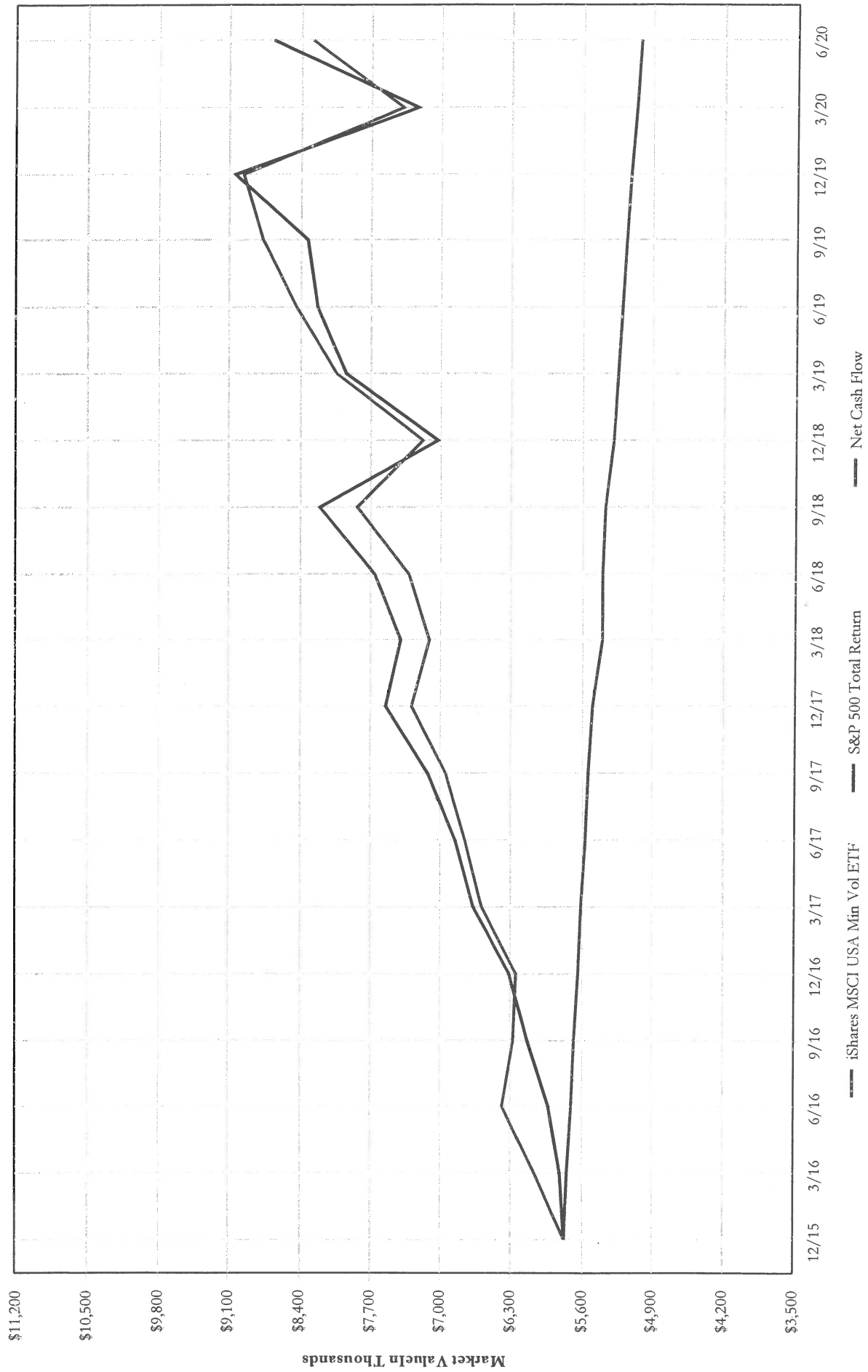


Asset Growth (\$000)

	Current Quarter	YTD	1 Year	3 Years	Since Inception	Inception Date
iShares MSCI USA Min Vol ETF	7,389	8,974	8,445	6,752	5,771	01/01/2016
Beginning Market Value	-41	-84	-176	-534	-737	
Net Contributions	947	-596	25	2,075	3,260	
Gain/Loss	8,294	8,294	8,294	8,294	8,294	
Ending Market Value						

Actual inception 12/7/2015

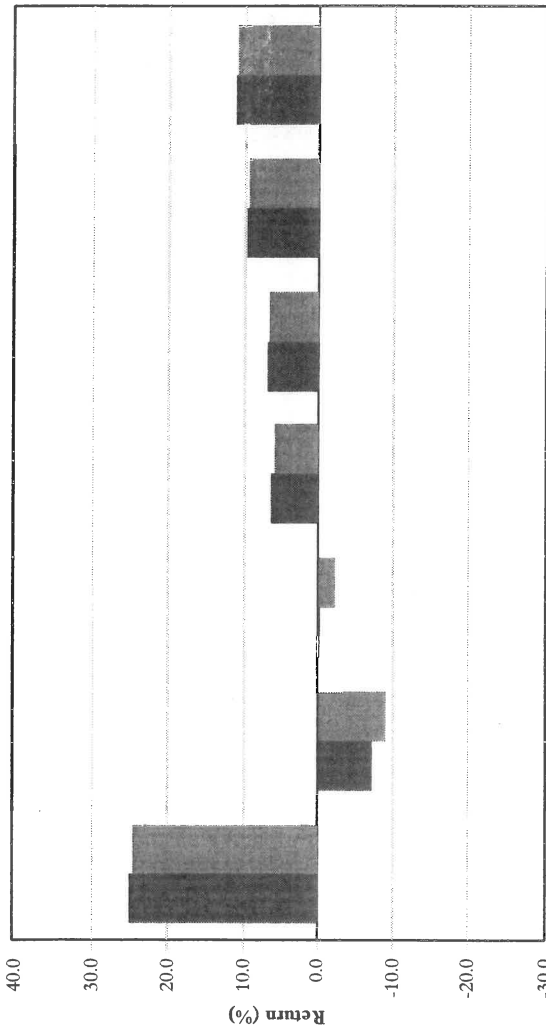
Sources of Portfolio Growth



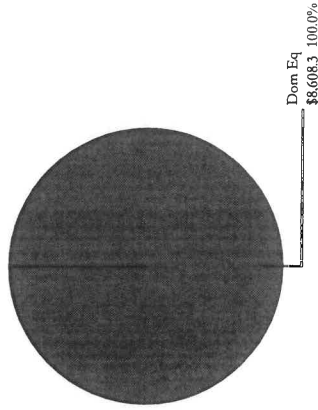
Sources of Portfolio Growth

Periods Ending	Beginning Market Value (\$000)	Net Cash Flow (\$000)	Investment Increment (\$000)	Ending Market Value (\$000)	%Return	Unit Value
Dec-2015	-	-	-	5,771	N/A	100.00
Mar-2016	5,771	-29	320	6,062	5.55	105.55
Jun-2016	6,062	-33	348	6,377	5.73	111.60
Sep-2016	6,377	-34	74	6,269	-1.16	110.30
Dec-2016	6,269	-43	14	6,240	0.23	110.56
Mar-2017	6,240	-29	374	6,585	5.99	117.18
Jun-2017	6,585	-36	203	6,752	3.08	120.79
Sep-2017	6,752	-30	225	6,947	3.33	124.81
Dec-2017	6,947	-34	371	7,284	5.34	131.47
Mar-2018	7,284	-97	-83	7,104	-1.17	129.93
Jun-2018	7,104	-	208	7,312	2.93	133.74
Sep-2018	7,312	-40	565	7,838	7.77	144.14
Dec-2018	7,838	-76	-589	7,173	-7.56	133.23
Mar-2019	7,173	-37	908	8,044	12.66	150.11
Jun-2019	8,044	-45	445	8,445	5.55	158.43
Sep-2019	8,445	-39	363	8,769	4.30	165.25
Dec-2019	8,769	-52	258	8,974	2.94	170.11
Mar-2020	8,974	-43	-1,543	7,389	-17.19	140.87
Jun-2020	7,389	-41	947	8,294	12.81	158.92
	5,771	-737	3,260	8,294	58.92	158.92

Portfolio Performance (%)

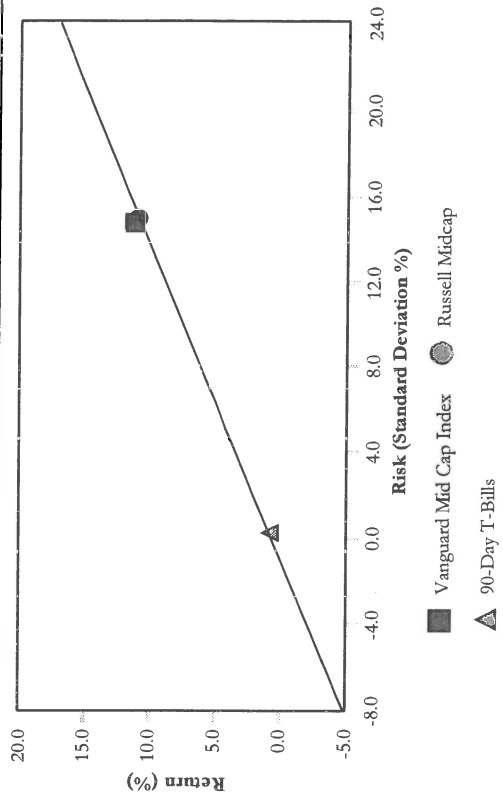


Asset Allocation (\$000)



Portfolio Characteristics vs. Russell Midcap Since Inception

	Beta	Alpha	R-Squared	Sharpe Ratio	Inception Date
Vanguard Mid Cap Index	0.98	0.44	0.99	0.74	10/01/2012

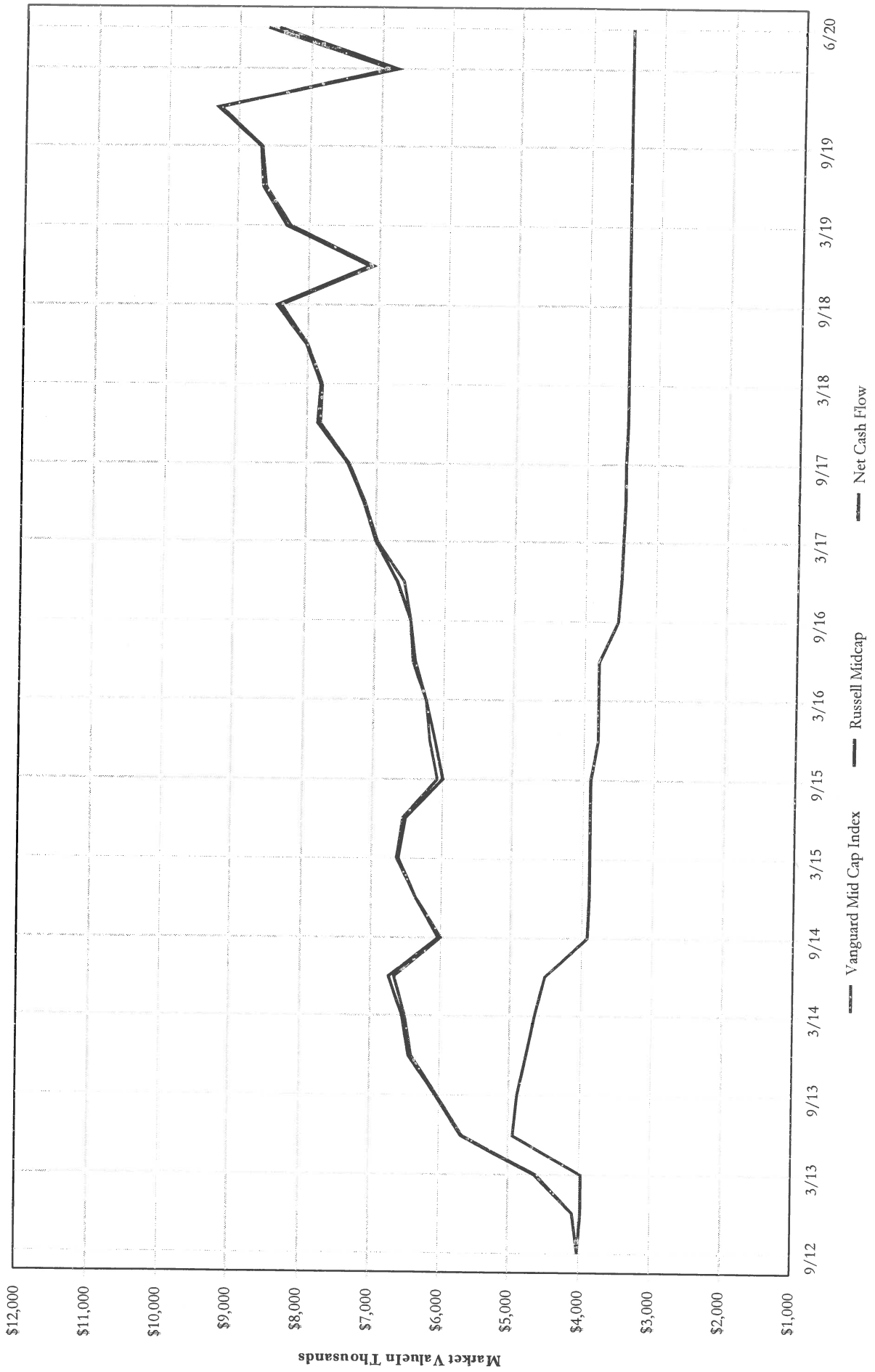


Asset Growth (\$000)

	Current Quarter	YTD	1 Year	3 Years	5 Years	7 Years	Since Inception
Vanguard Mid Cap Index	6,889	9,272	8,624	7,156	6,566	5,661	4,003
Beginning Market Value	-	-	-	-25	-447	-1,502	-564
Net Contributions	1,720	-664	-15	1,477	2,489	4,449	5,169
Gain/Loss	8,608	8,608	8,608	8,608	8,608	8,608	8,608
Ending Market Value							

Actual inception 8/31/2012

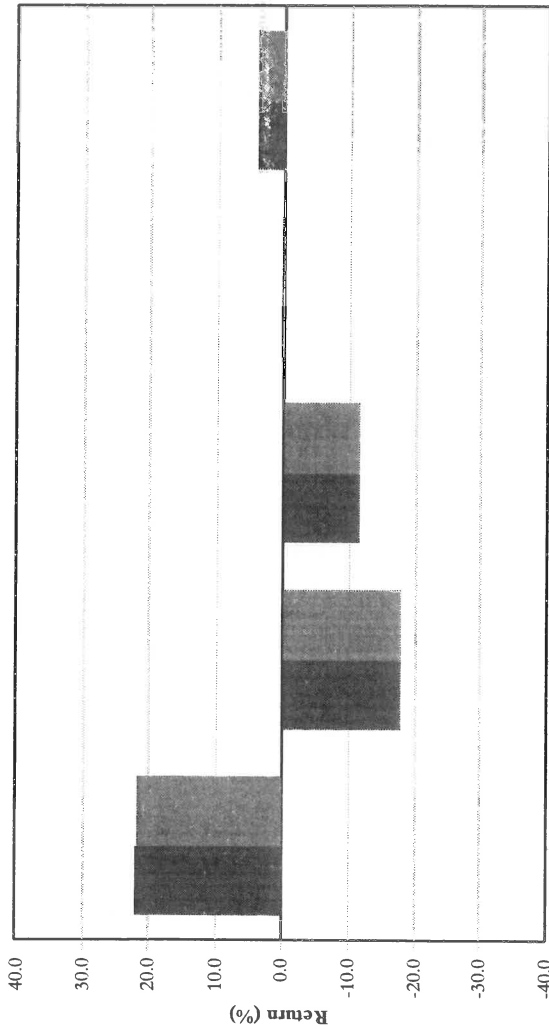
Sources of Portfolio Growth



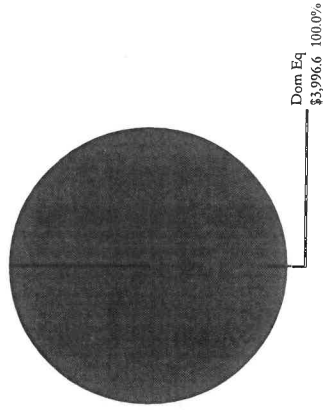
Sources of Portfolio Growth

Periods Ending	Beginning Market Value (\$000)	Net Cash Flow (\$000)	Investment Increment (\$000)	Ending Market Value (\$000)	%Return	Unit Value
Sep-2012	-	-	-	4,003	N/A	100.00
Dec-2012	4,003	-35	113	4,081	2.85	102.85
Mar-2013	4,081	-	526	4,607	12.90	116.12
Jun-2013	4,607	973	81	5,661	1.95	118.39
Sep-2013	5,661	-65	432	6,029	7.68	127.48
Dec-2013	6,029	-125	512	6,416	8.63	138.48
Mar-2014	6,416	-115	204	6,505	3.27	143.00
Jun-2014	6,505	-125	288	6,668	4.51	149.45
Sep-2014	6,668	-600	-69	5,999	-1.15	147.74
Dec-2014	5,999	-25	396	6,370	6.63	157.53
Mar-2015	6,370	-	273	6,643	4.28	164.28
Jun-2015	6,643	-	-77	6,566	-1.16	162.37
Sep-2015	6,566	-	-489	6,077	-7.45	150.27
Dec-2015	6,077	-98	211	6,190	3.44	155.45
Mar-2016	6,190	-	73	6,263	1.19	157.29
Jun-2016	6,263	-	145	6,409	2.32	160.94
Sep-2016	6,409	-258	332	6,483	5.19	169.29
Dec-2016	6,483	-23	137	6,598	2.13	172.89
Mar-2017	6,598	-27	408	6,978	6.19	183.59
Jun-2017	6,978	-17	194	7,156	2.79	188.71
Sep-2017	7,156	-	246	7,402	3.44	195.20
Dec-2017	7,402	-14	419	7,807	5.66	206.25
Mar-2018	7,807	-11	-	7,796	0.00	206.25
Jun-2018	7,796	-	200	7,996	2.57	211.54
Sep-2018	7,996	-	374	8,370	4.68	221.44
Dec-2018	8,370	-	-1,294	7,076	-15.47	187.19
Mar-2019	7,076	-	1,188	8,263	16.78	218.61
Jun-2019	8,263	-	361	8,624	4.36	228.15
Sep-2019	8,624	-	52	8,676	0.60	229.53
Dec-2019	8,676	-	596	9,272	6.87	245.30
Mar-2020	9,272	-	-2,384	6,889	-25.71	182.24
Jun-2020	6,889	-	1,720	8,608	24.96	227.74
	4,003	-564	5,169	8,608	127.74	227.74

Portfolio Performance (%)

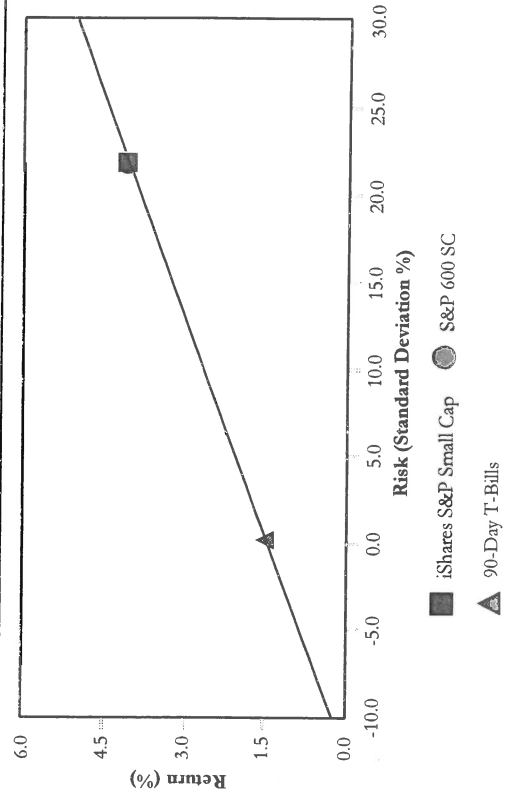


Asset Allocation (\$000)



Portfolio Characteristics vs. S&P 600 SC Since Inception

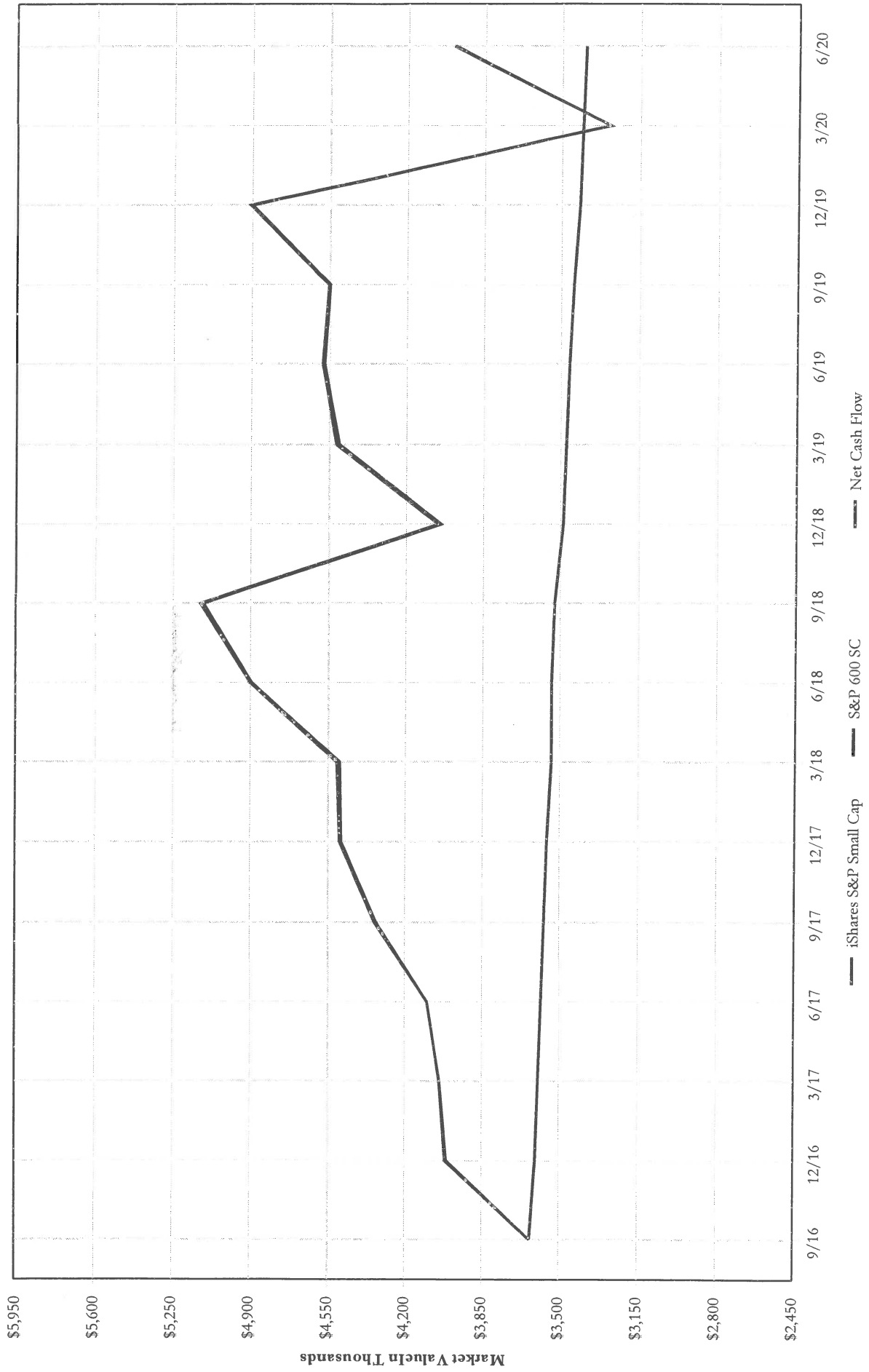
	Beta	Alpha	R-Squared	Sharpe Ratio	Inception Date
iShares S&P Small Cap	1.00	0.02	1.00	0.23	10/01/2016



Asset Growth (\$000)

	Current Quarter	YTD	1 Year	3 Years	Since Inception	Inception Date
iShares S&P Small Cap	3,284	4,907	4,581	4,103	3,633	10/01/2016
Beginning Market Value	-14	-28	-69	-192	-240	
Net Contributions	727	-882	-515	86	604	
Gain/Loss	3,997	3,997	3,997	3,997	3,997	
Ending Market Value						

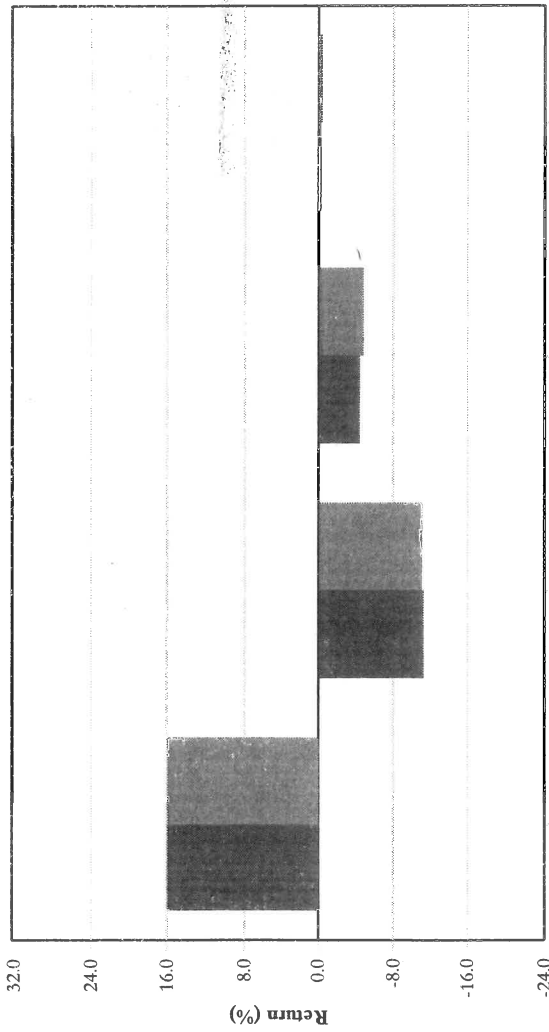
Sources of Portfolio Growth



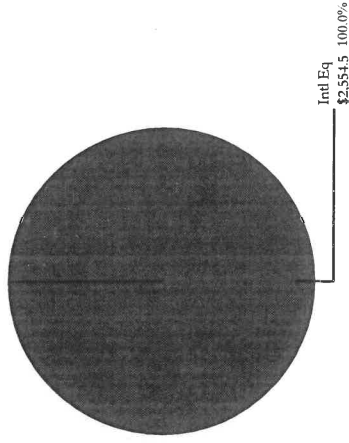
Sources of Portfolio Growth

Periods Ending	Beginning Market Value (\$000)	Net Cash Flow (\$000)	Investment Increment (\$000)	Ending Market Value (\$000)	%Return	Unit Value
Sep-2016	-	-	-	3,633	N/A	100.00
Dec-2016	3,633	-23	414	4,024	11.42	111.42
Mar-2017	4,024	-13	37	4,048	0.91	112.43
Jun-2017	4,048	-12	68	4,103	1.67	114.31
Sep-2017	4,103	-13	254	4,344	6.19	121.38
Dec-2017	4,344	-16	167	4,495	3.85	126.05
Mar-2018	4,495	-14	26	4,507	0.57	126.77
Jun-2018	4,507	-	392	4,899	8.70	137.79
Sep-2018	4,899	-14	238	5,122	4.87	144.51
Dec-2018	5,122	-36	-1,030	4,057	-20.19	115.34
Mar-2019	4,057	-15	473	4,515	11.67	128.80
Jun-2019	4,515	-15	81	4,581	1.80	131.11
Sep-2019	4,581	-17	-9	4,556	-0.20	130.85
Dec-2019	4,556	-24	376	4,907	8.26	141.66
Mar-2020	4,907	-15	-1,609	3,284	-32.78	95.22
Jun-2020	3,284	-14	727	3,997	22.13	116.29
	3,633	-240	604	3,997	16.29	116.29

Portfolio Performance (%)

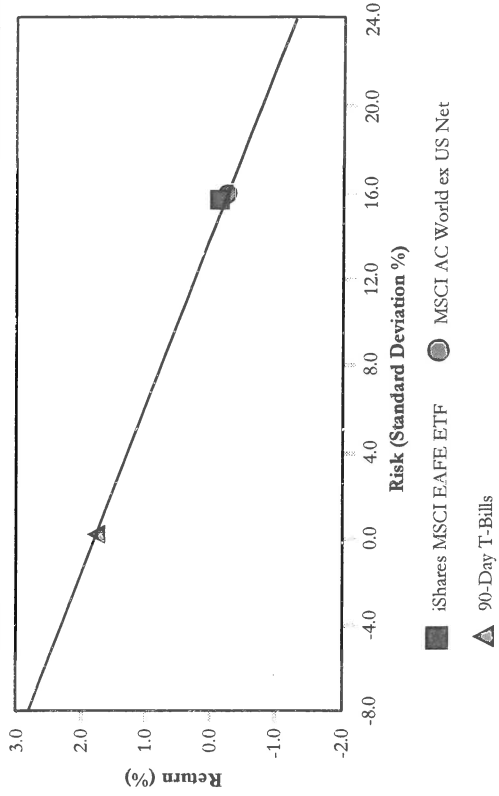


Asset Allocation (\$000)



Portfolio Characteristics vs. MSCI AC World ex US Net Since Inception

	Beta	Alpha	R-Squared	Sharpe Ratio	Inception Date
iShares MSCI EAFE ETF	0.97	0.11	0.97	-0.04	09/01/2017

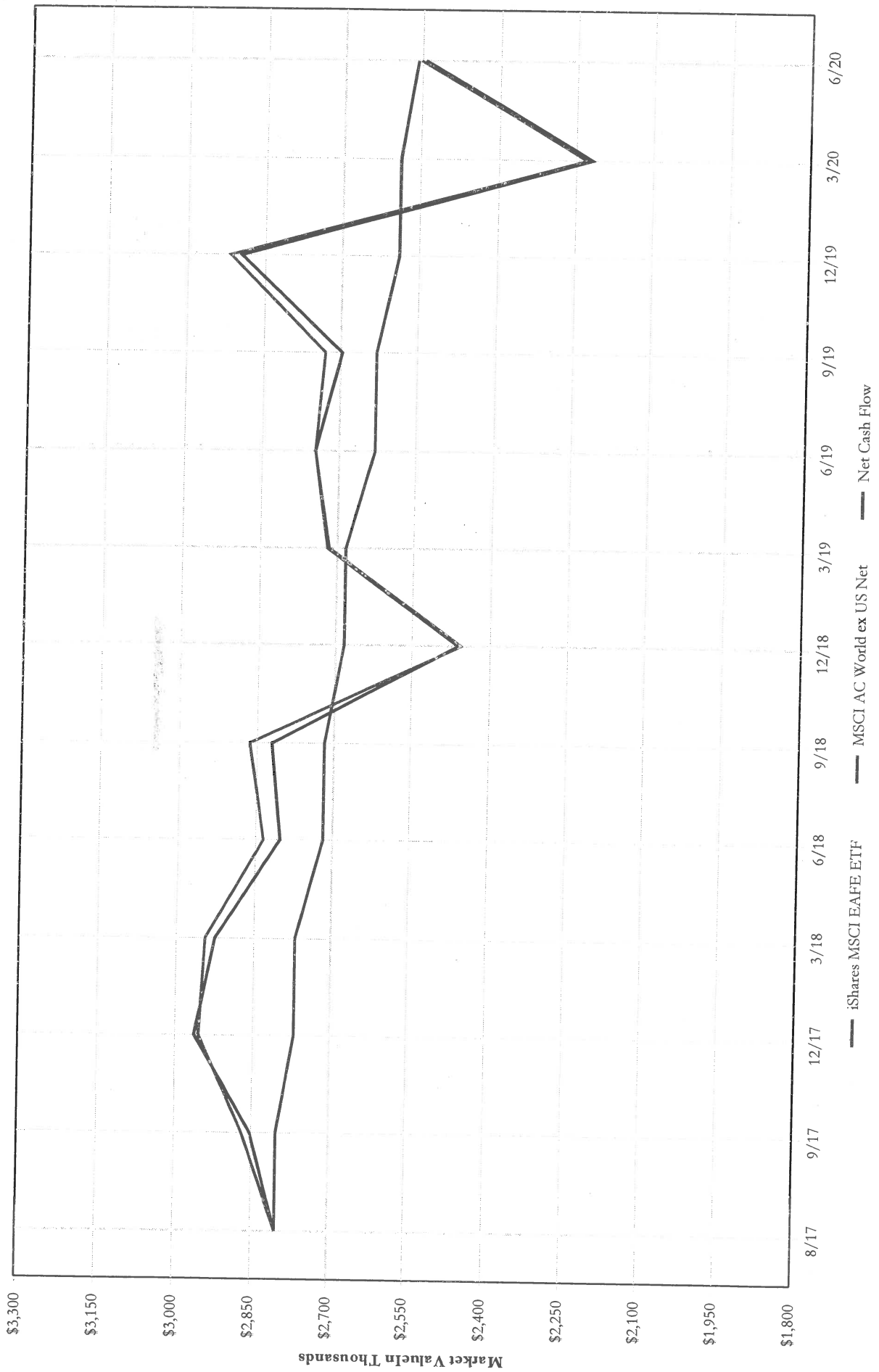


Asset Growth (\$000)

	Current Quarter	YTD	1 Year	Since Inception	Inception Date
iShares MSCI EAFE ETF	2,230	2,916	2,744	2,801	09/01/2017
Beginning Market Value	-31	-31	-71	-242	
Net Contributions	356	-330	-119	-4	
Gain/Loss	2,555	2,555	2,555	2,555	
Ending Market Value					

Actual inception 8/9/2017

Sources of Portfolio Growth



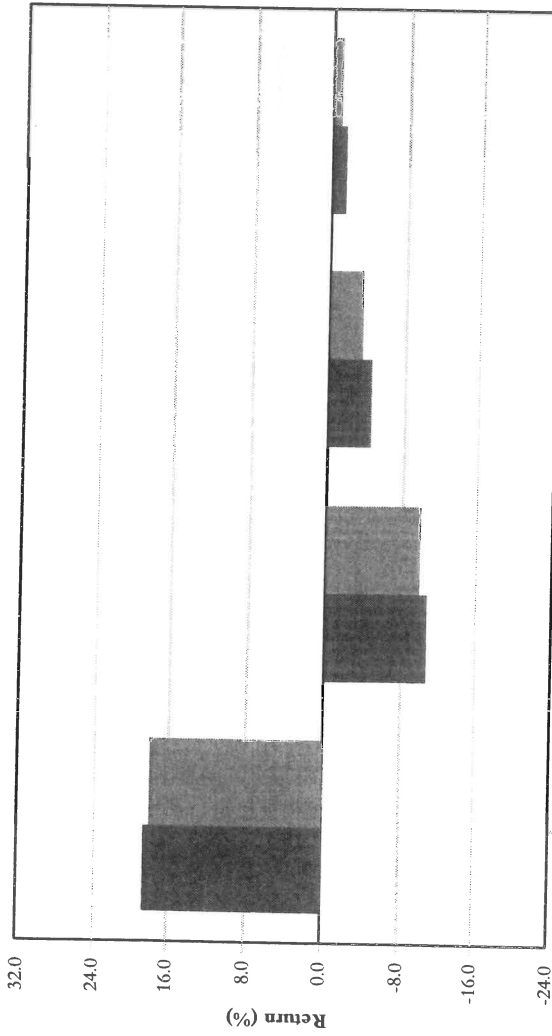
Sources of Portfolio Growth

Periods Ending	Beginning Market Value (\$000)	Net Cash Flow (\$000)	Investment Increment (\$000)	Ending Market Value (\$000)	%Return	Unit Value
Aug-2017	-	-	-	2,801	N/A	100.00
Sep-2017	2,801	-	67	2,868	2.39	102.39
Dec-2017	2,868	-33	118	2,954	4.13	106.63
Mar-2018	2,954	-	-9	2,944	-0.32	106.29
Jun-2018	2,944	-51	-61	2,832	-2.07	104.09
Sep-2018	2,832	-	32	2,864	1.12	105.26
Dec-2018	2,864	-34	-372	2,458	-13.01	91.56
Mar-2019	2,458	-	258	2,716	10.49	101.17
Jun-2019	2,716	-53	82	2,744	3.04	104.24
Sep-2019	2,744	-	-15	2,729	-0.54	103.68
Dec-2019	2,729	-39	226	2,916	8.29	112.28
Mar-2020	2,916	-	-686	2,230	-23.53	85.86
Jun-2020	2,230	-31	356	2,555	15.99	99.59
	2,801	-242	-4	2,555	-0.41	99.59

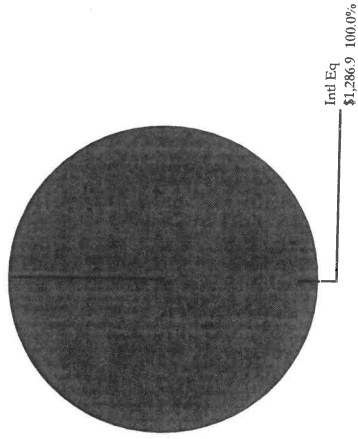
Galveston Employees Retirement - iShares MSCI Emerging Mkts ETF

as of June 30, 2020

Portfolio Performance (%)

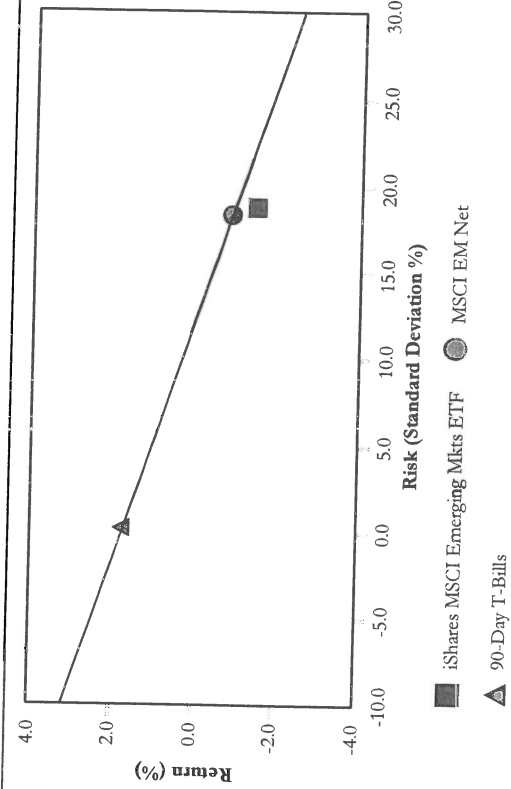


Asset Allocation (\$000)



Portfolio Characteristics vs. MSCI EM Net Since Inception

	Beta	Alpha	R-Squared	Sharpe Ratio	Inception Date
iShares MSCI Emerging Mkts ETF	1.01	-0.52	0.96	-0.07	09/01/2017

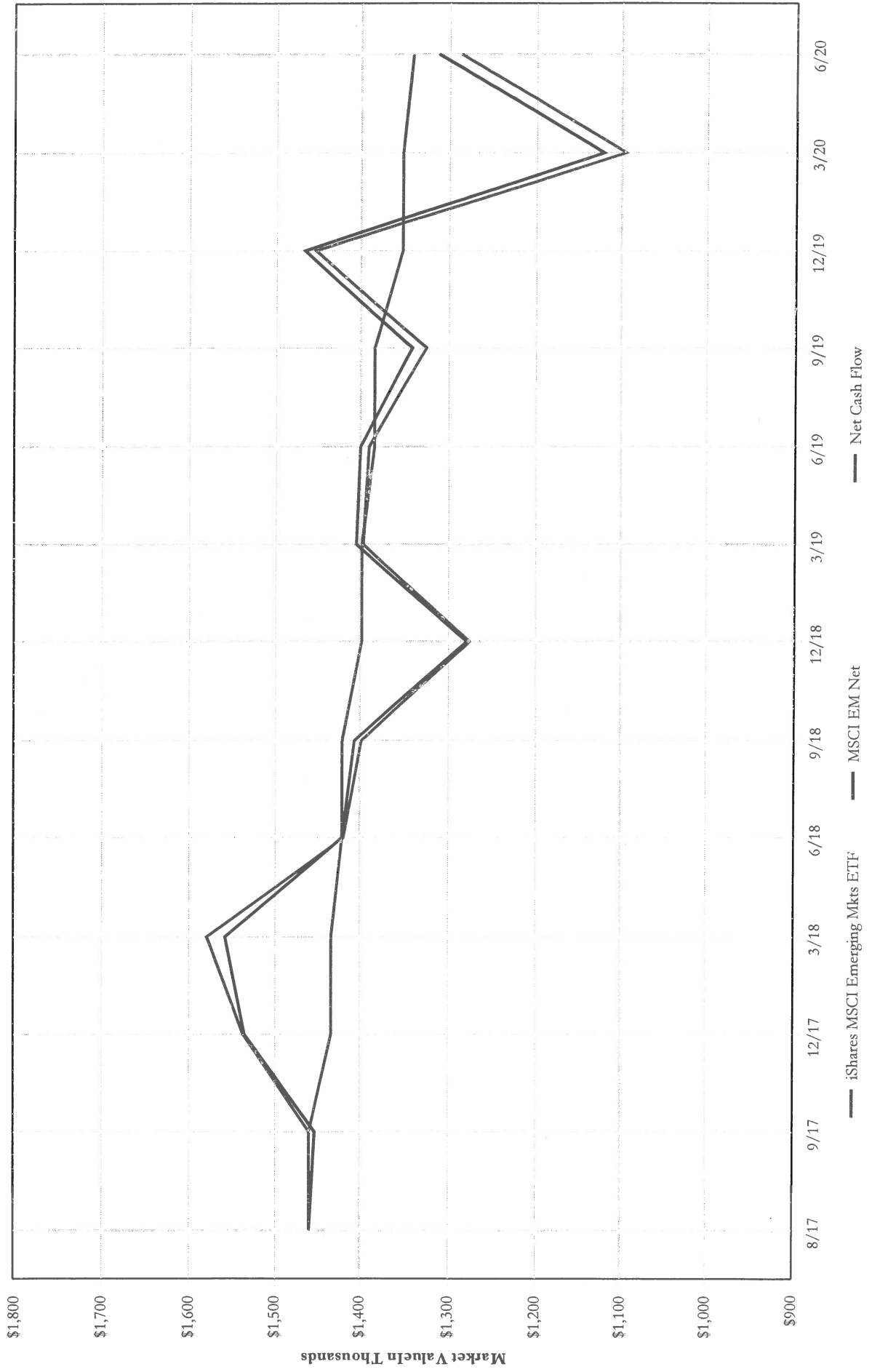


Asset Growth (\$000)

	Current Quarter	YTD	1 Year	Since Inception	Inception Date
iShares MSCI Emerging Mkts ETF	1,094	1,453	1,391	1,460	09/01/2017
Beginning Market Value	-12	-12	-44	-119	
Net Contributions	205	-155	-60	-54	
Gain/Loss	1,287	1,287	1,287	1,287	
Ending Market Value					

Actual inception 8/4/2017

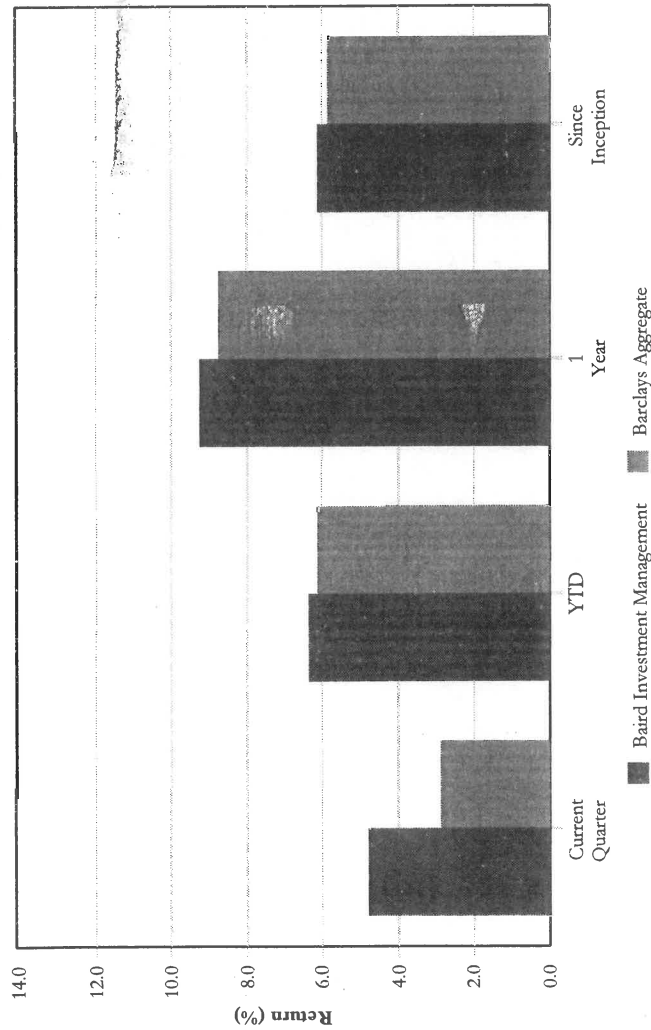
Sources of Portfolio Growth



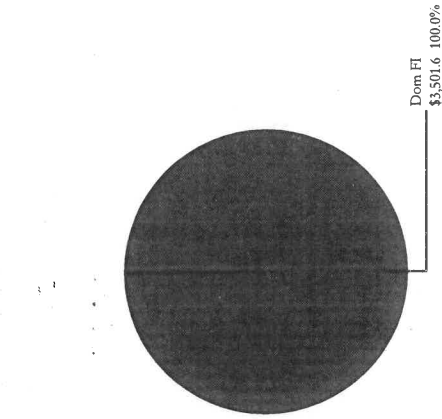
Sources of Portfolio Growth

Periods Ending	Beginning Market Value (\$000)	Net Cash Flow (\$000)	Investment Increment (\$000)	Ending Market Value (\$000)	%Return	Unit Value
Aug-2017	-	-	-	1,460	N/A	100.00
Sep-2017	1,460	-	-	1,460	0.02	100.02
Dec-2017	1,460	-26	104	1,538	7.14	107.16
Mar-2018	1,538	-	41	1,579	2.64	109.99
Jun-2018	1,579	-12	-147	1,420	-9.33	99.72
Sep-2018	1,420	-	-20	1,400	-1.39	98.34
Dec-2018	1,400	-23	-102	1,275	-7.29	91.16
Mar-2019	1,275	-	123	1,398	9.67	99.98
Jun-2019	1,398	-13	6	1,391	0.44	100.42
Sep-2019	1,391	-	-65	1,325	-4.70	95.70
Dec-2019	1,325	-32	161	1,453	12.18	107.36
Mar-2020	1,453	-	-359	1,094	-24.72	80.82
Jun-2020	1,094	-12	205	1,287	18.72	95.95
	1,460	-119	-54	1,287	-4.05	95.95

Portfolio Performance (%)

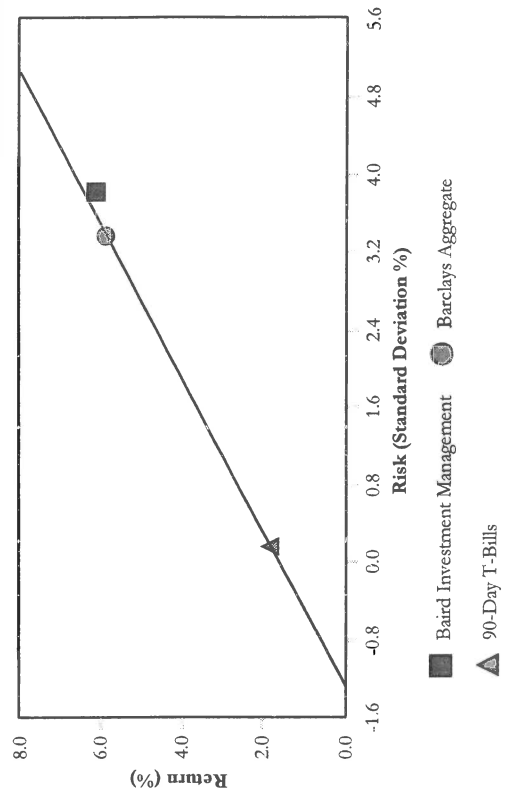


Asset Allocation (\$000)



Portfolio Characteristics vs. Barclays Aggregate Since Inception

	Beta	Alpha	R-Squared	Sharpe Ratio	Inception Date
Baird Investment Management	1.08	-0.22	0.91	1.10	12/01/2017

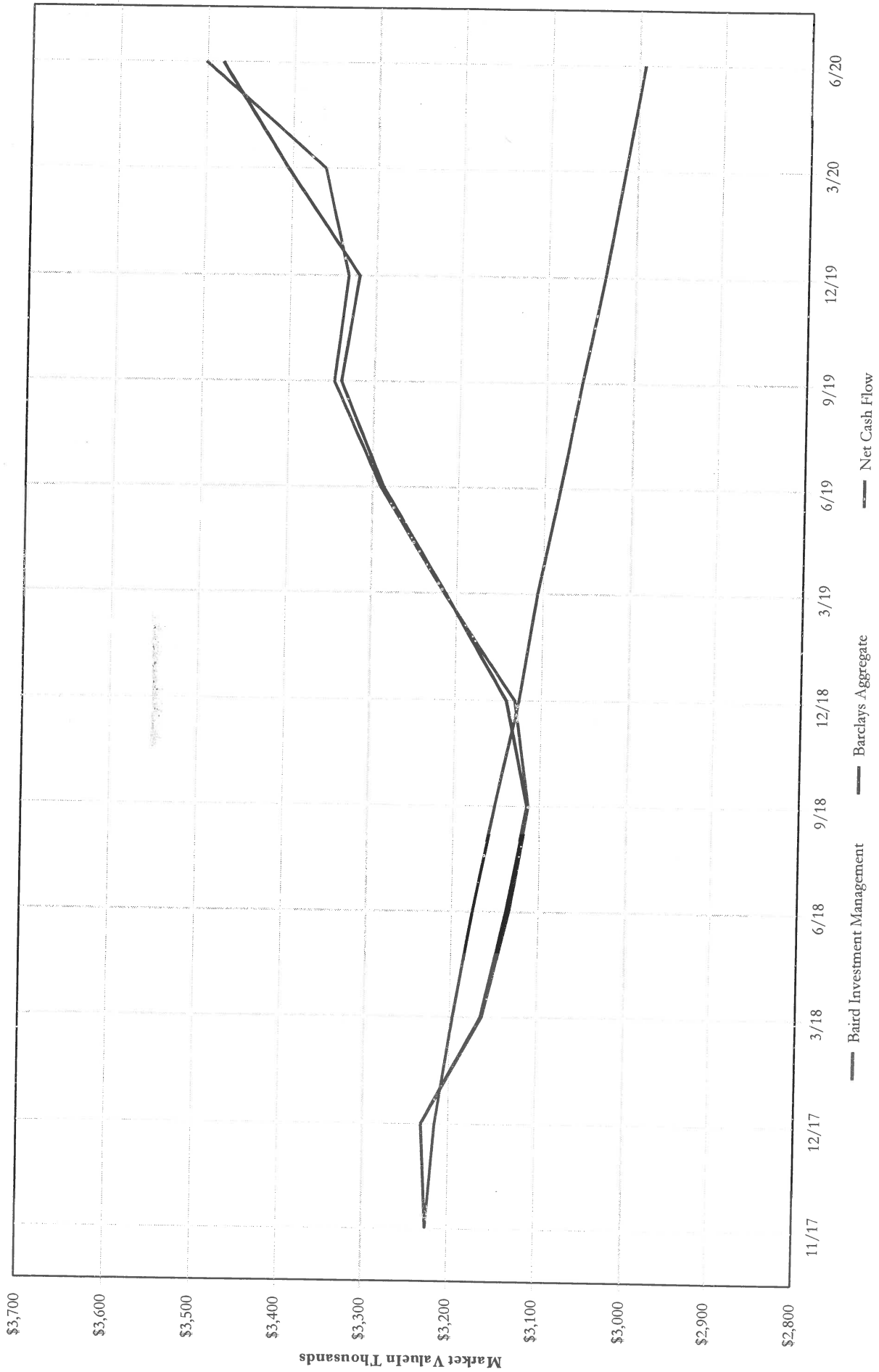


Asset Growth (\$000)

	Current Quarter	YTD	1 Year	Since Inception	Inception Date
Baird Investment Management	3,362	3,332	3,291	3,225	12/01/2017
Beginning Market Value	-21	-41	-89	-232	
Net Contributions	161	211	300	508	
Gain/Loss	3,502	3,502	3,502	3,502	
Ending Market Value					

Actual inception 11/20/2017

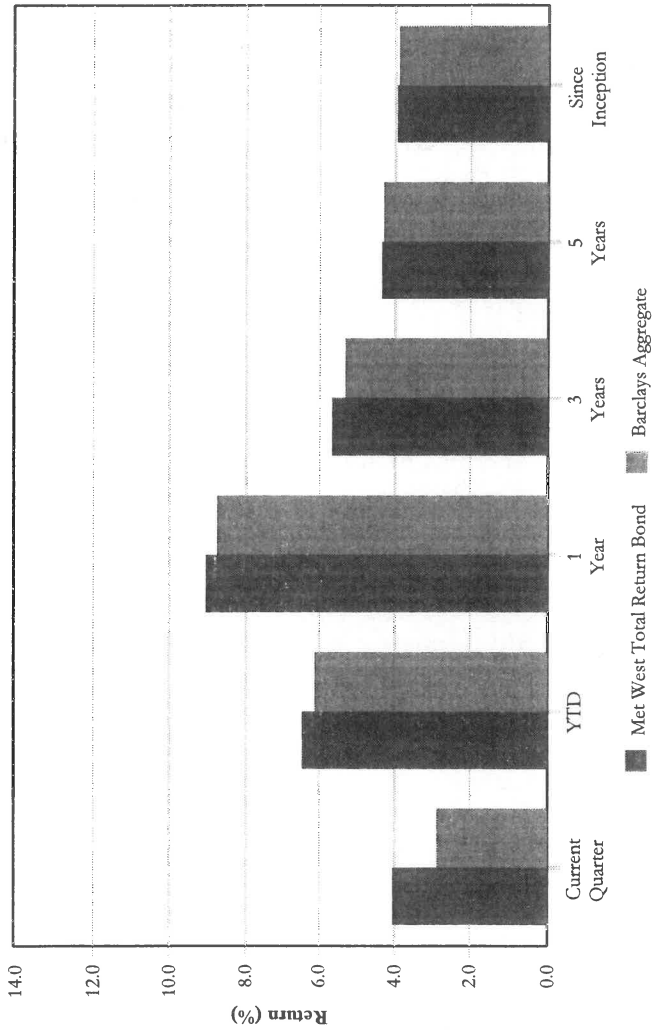
Sources of Portfolio Growth



Sources of Portfolio Growth

Periods Ending	Beginning Market Value (\$000)	Net Cash Flow (\$000)	Investment Increment (\$000)	Ending Market Value (\$000)	%Return	Unit Value
Nov-2017	-	-	-	3,225	N/A	100.00
Dec-2017	3,225	-9	15	3,231	0.47	100.47
Mar-2018	3,231	-19	-49	3,163	-1.52	98.94
Jun-2018	3,163	-22	-8	3,133	-0.24	98.70
Sep-2018	3,133	-23	2	3,112	0.07	98.77
Dec-2018	3,112	-26	43	3,130	1.41	100.16
Mar-2019	3,130	-20	103	3,213	3.32	103.48
Jun-2019	3,213	-24	101	3,291	3.16	106.75
Sep-2019	3,291	-23	79	3,347	2.41	109.33
Dec-2019	3,347	-25	10	3,332	0.30	109.65
Mar-2020	3,332	-20	50	3,362	1.49	111.29
Jun-2020	3,362	-21	161	3,502	4.79	116.62
	3,225	-232	508	3,502	16.62	116.62

Portfolio Performance (%)

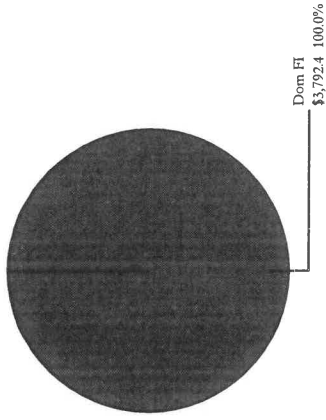


	Current Quarter	YTD	1 Year	3 Years	5 Years	Since Inception	Inception Date
Met West Total Return Bond	4.07	6.48	9.07	5.66	4.36	3.94	07/01/2014
Barclays Aggregate	2.90	6.14	8.74	5.32	4.30	3.89	07/01/2014

Asset Growth (\$000)

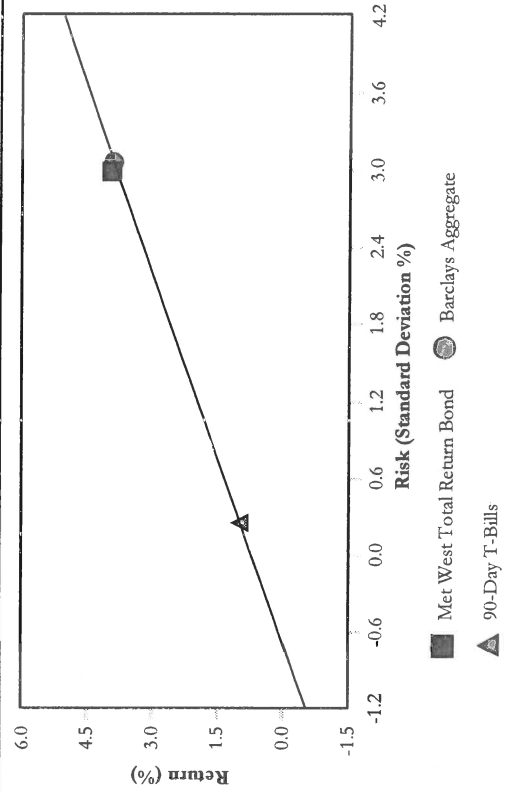
	Current Quarter	YTD	1 Year	3 Years	5 Years	Since Inception	Inception Date
Met West Total Return Bond	3,644	3,561	3,477	9,611	9,160	9,014	07/01/2014
Beginning Market Value	-	-	-	-6,464	-6,464	-6,489	
Net Contributions	148	231	315	646	1,096	1,267	
Gain/Loss	3,792	3,792	3,792	3,792	3,792	3,792	
Ending Market Value							

Asset Allocation (\$000)

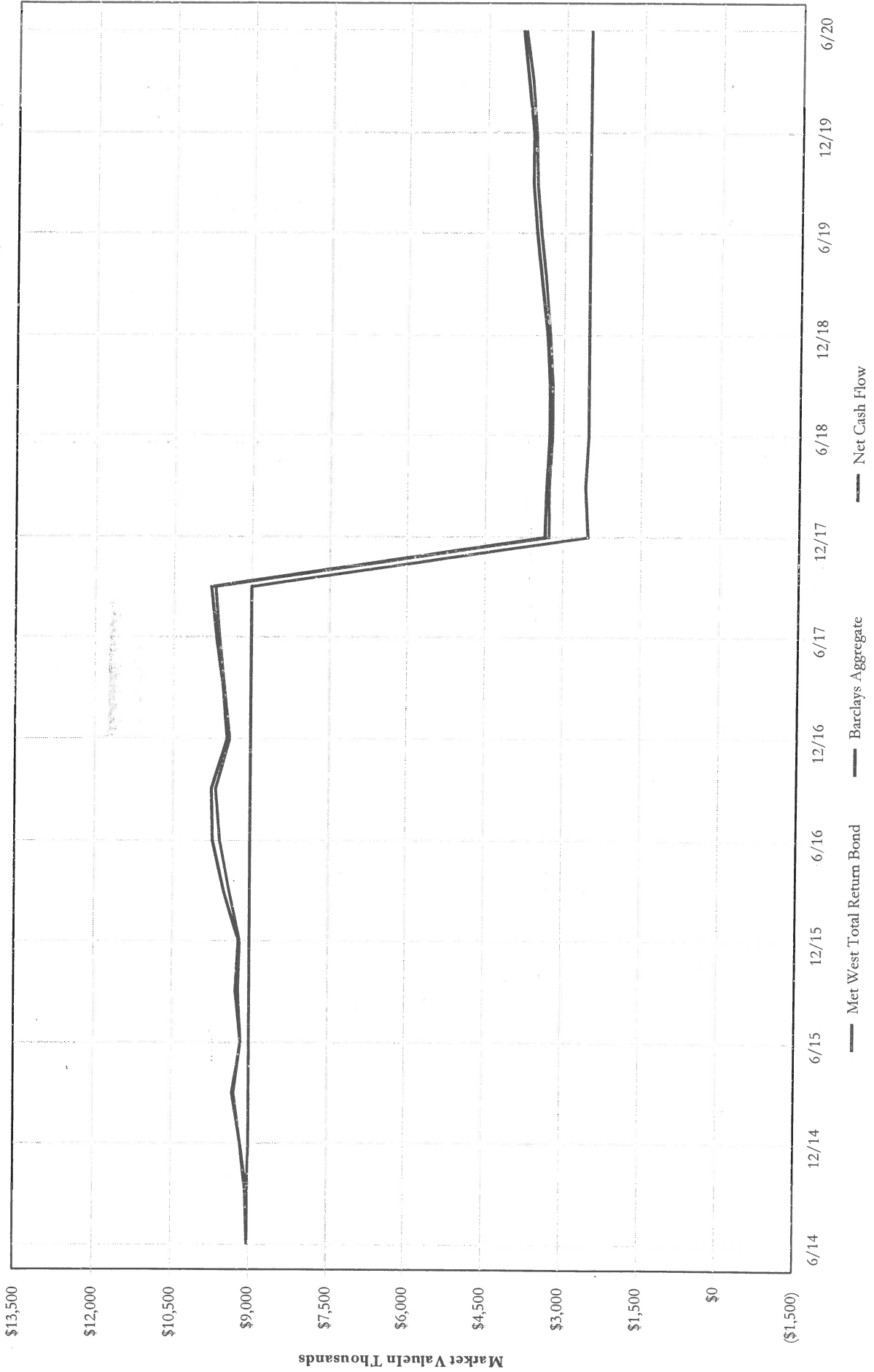


Portfolio Characteristics vs. Barclays Aggregate Since Inception

	Beta	Alpha	R-Squared	Sharpe Ratio	Inception Date
Met West Total Return Bond	0.96	0.20	0.96	1.00	07/01/2014



Sources of Portfolio Growth



Galveston Employees Retirement - Met West Total Return Bond

as of June 30, 2020

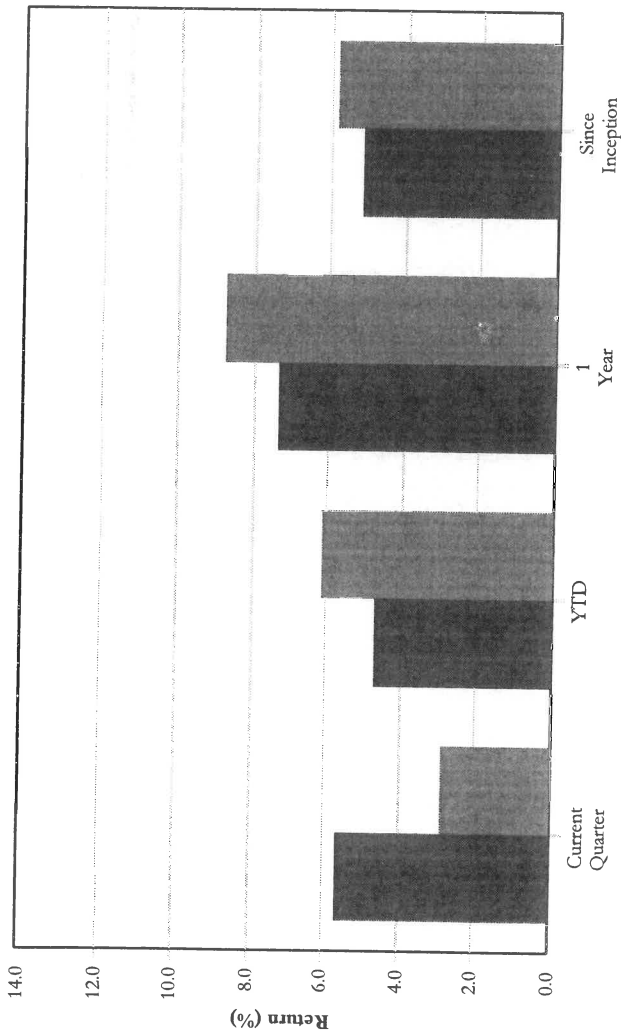
Sources of Portfolio Growth

Periods Ending	Beginning Market Value (\$000)	Net Cash Flow (\$000)	Investment Increment (\$000)	Ending Market Value (\$000)	%Return	Unit Value
Jun-2014	-	-	-	9,014	N/A	100.00
Sep-2014	9,014	-	28	9,042	0.31	100.31
Dec-2014	9,042	-25	140	9,157	1.55	101.87
Mar-2015	9,157	-	128	9,285	1.40	103.29
Jun-2015	9,285	-	124	9,160	-1.34	101.91
Sep-2015	9,160	-	60	9,220	0.65	102.57
Dec-2015	9,220	-	-37	9,183	-0.40	102.16
Mar-2016	9,183	-	223	9,406	2.43	104.64
Jun-2016	9,406	-	187	9,593	1.98	106.72
Sep-2016	9,593	-	71	9,664	0.74	107.51
Dec-2016	9,664	-	-258	9,407	-2.67	104.64
Mar-2017	9,407	-	87	9,494	0.93	105.61
Jun-2017	9,494	-	117	9,611	1.23	106.92
Sep-2017	9,611	-	84	9,694	0.87	107.85
Dec-2017	9,694	-6,451	29	3,272	0.51	108.39
Mar-2018	3,272	42	-41	3,272	-1.26	107.02
Jun-2018	3,272	-54	-4	3,214	-0.12	106.90
Sep-2018	3,214	-	1	3,216	0.04	106.94
Dec-2018	3,216	-	49	3,265	1.53	108.57
Mar-2019	3,265	-	104	3,369	3.20	112.04
Jun-2019	3,369	-	108	3,477	3.20	115.63
Sep-2019	3,477	-	78	3,555	2.24	118.22
Dec-2019	3,555	-	7	3,561	0.19	118.44
Mar-2020	3,561	-	83	3,644	2.32	121.19
Jun-2020	3,644	-	148	3,792	4.07	126.12
	9,014	-6,489	1,267	3,792	26.12	126.12

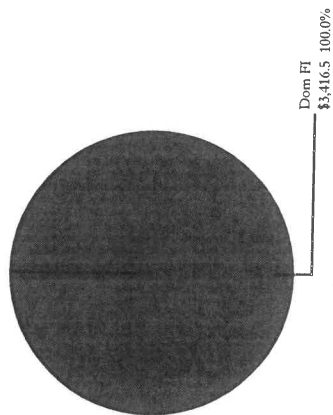
Galveston Employees Retirement - TIAA CREF

as of June 30, 2020

Portfolio Performance (%)

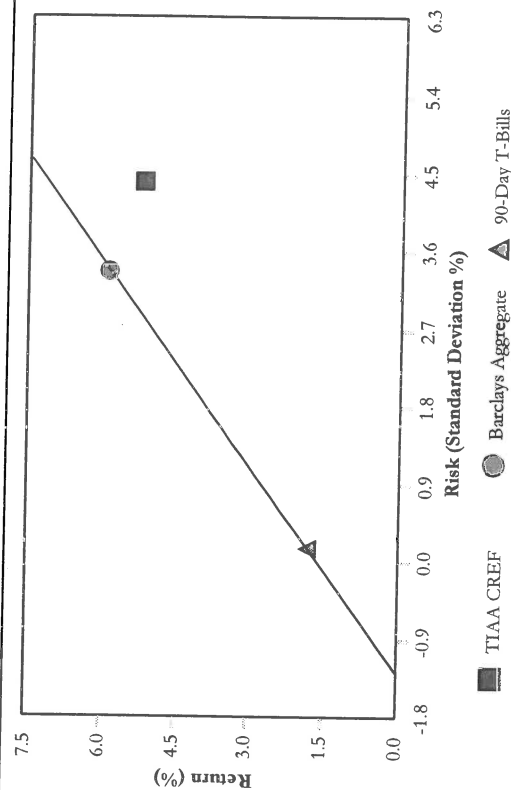


Asset Allocation (\$000)



Portfolio Characteristics vs. Barclays Aggregate Since Inception

	Beta	Alpha	R-Squared	Sharpe Ratio	Inception Date
TIAA CREF	1.07	-1.05	0.67	0.75	12/01/2017

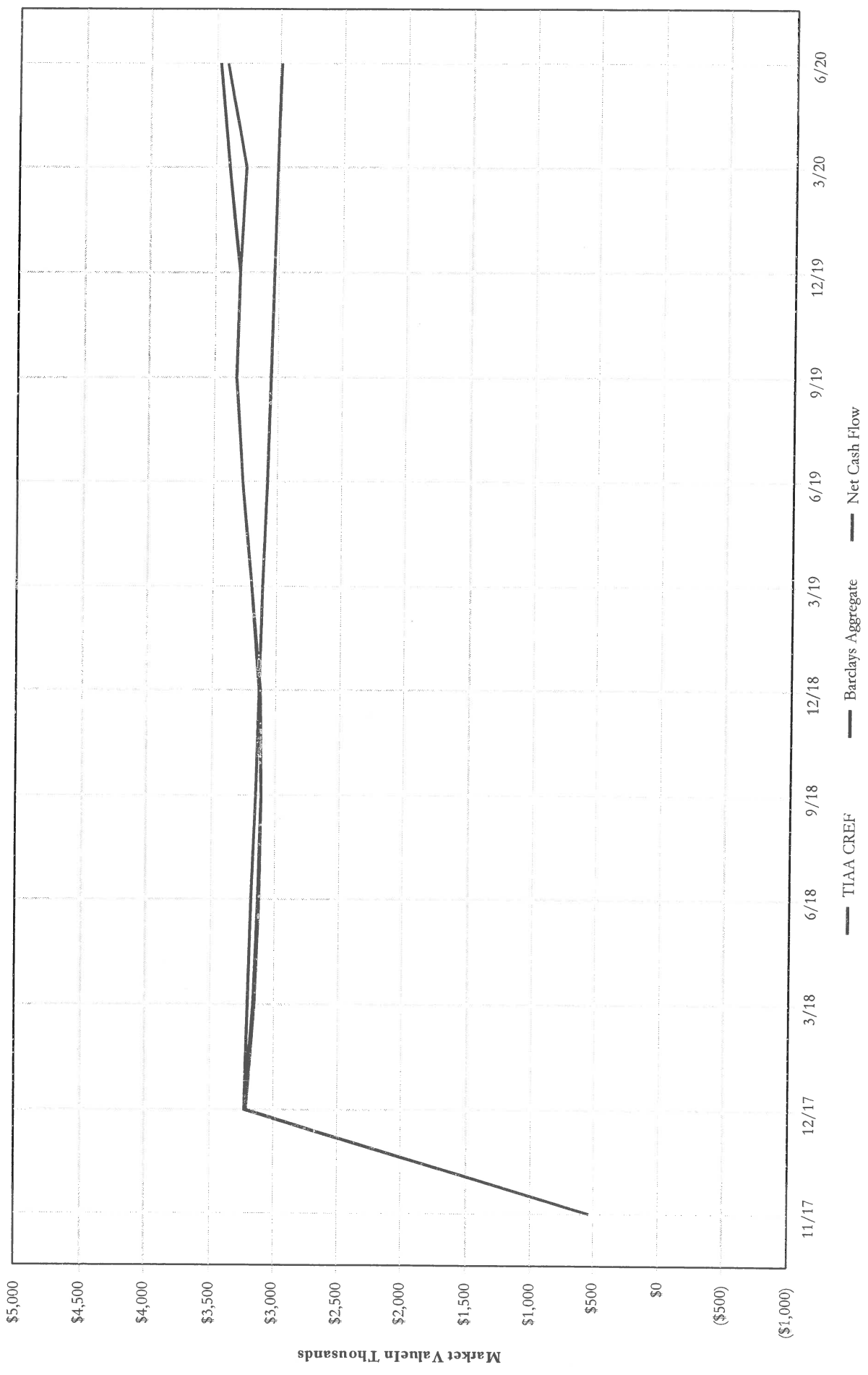


Asset Growth (\$000)

	Current Quarter	YTD	1 Year	Since Inception	Inception Date
TIAA CREF	3,256	3,309	3,272	530	12/01/2017
Beginning Market Value	-23	-46	-91	2,459	
Net Contributions	183	154	236	427	
Gain/Loss	3,416	3,416	3,416	3,416	
Ending Market Value					

Actual inception 11/20/2017

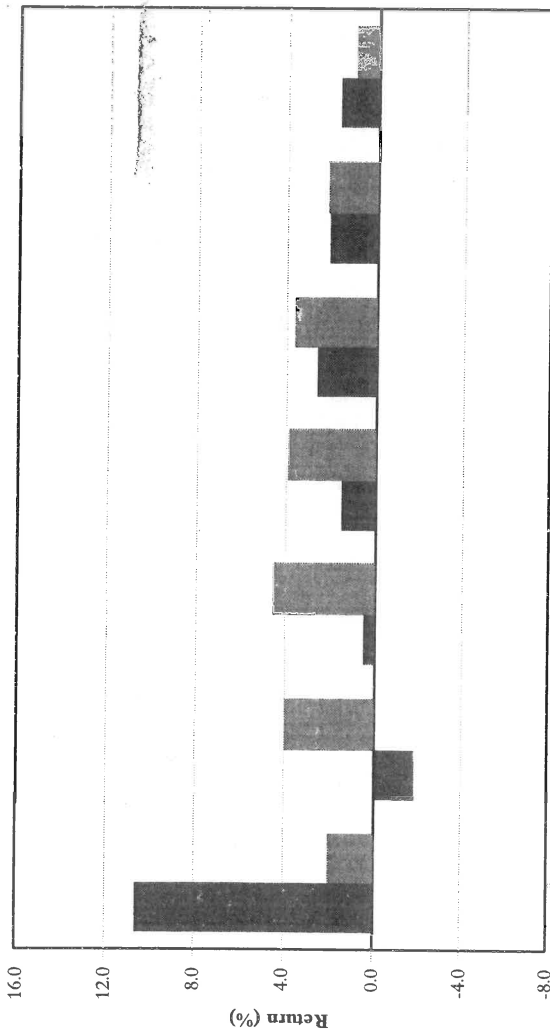
Sources of Portfolio Growth



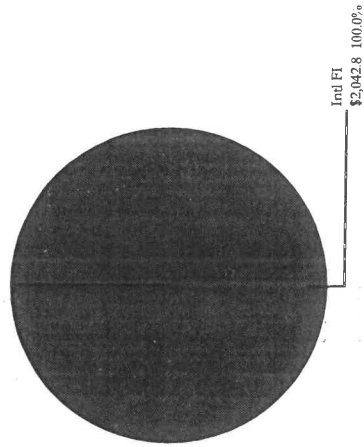
Sources of Portfolio Growth

Periods Ending	Beginning Market Value (\$000)	Net Cash Flow (\$000)	Investment Increment (\$000)	Ending Market Value (\$000)	%Return	Unit Value
Nov-2017	-	-	-	530	N/A	100.00
Dec-2017	530	2,698	-8	3,220	-0.31	99.69
Mar-2018	3,220	-22	-43	3,155	-1.33	98.37
Jun-2018	3,155	-24	-10	3,121	-0.31	98.06
Sep-2018	3,121	-25	11	3,108	0.35	98.40
Dec-2018	3,108	-25	35	3,117	1.13	99.52
Mar-2019	3,117	-26	107	3,198	3.44	102.94
Jun-2019	3,198	-25	99	3,272	3.12	106.15
Sep-2019	3,272	-22	74	3,325	2.28	108.57
Dec-2019	3,325	-24	8	3,309	0.23	108.83
Mar-2020	3,309	-23	-30	3,256	-0.91	107.83
Jun-2020	3,256	-23	183	3,416	5.64	113.92
	530	2,459	427	3,416	13.92	113.92

Portfolio Performance (%)

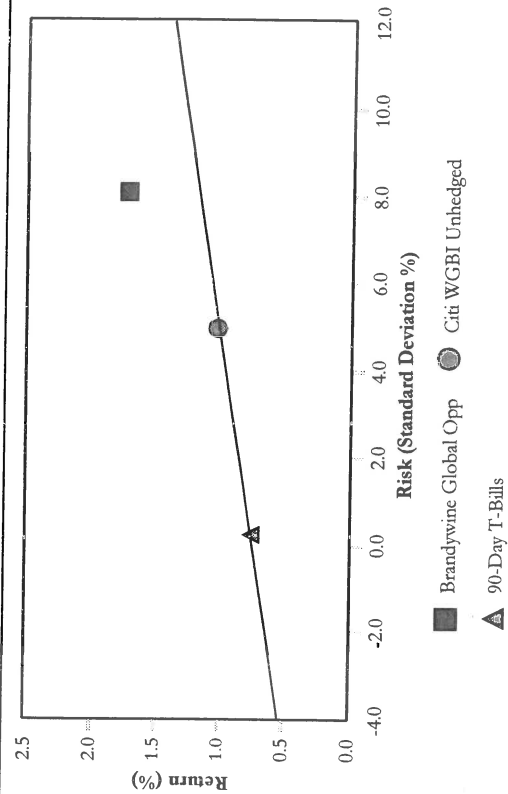


Asset Allocation (\$000)



Portfolio Characteristics vs. Citi WGBI Unhedged Since Inception

	Beta	Alpha	R-Squared	Sharpe Ratio	Inception Date
Brandywine Global Opp	1.05	0.86	0.42	0.16	10/01/2012

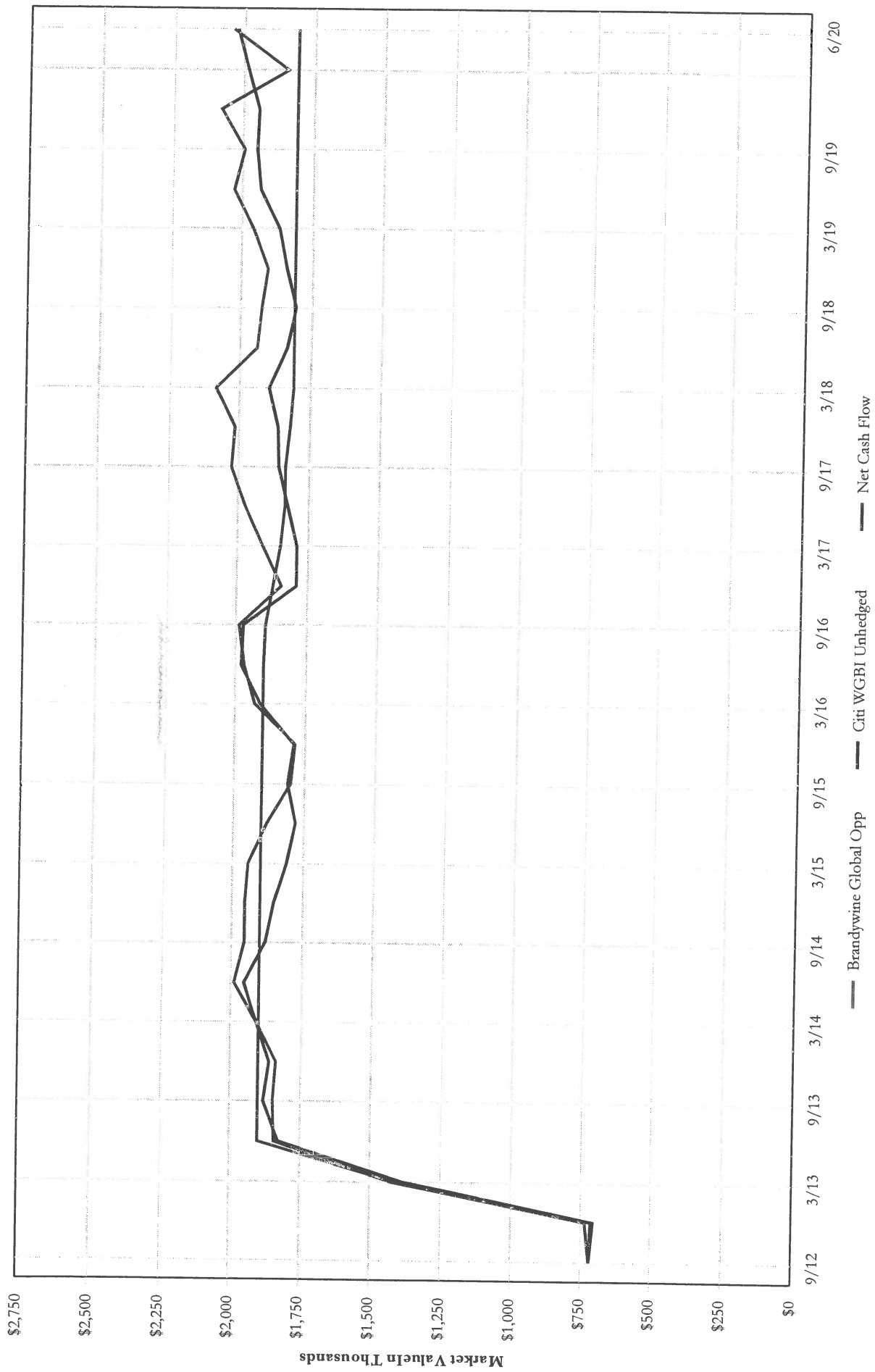


Asset Growth (\$000)

	Current Quarter	YTD	1 Year	3 Years	5 Years	7 Years	Since Inception	Inception Date
Brandywine Global Opp	1,844	2,081	2,033	1,975	1,884	1,847	720	10/01/2012
Beginning Market Value	-	-	-	-	-	-	-	-
Net Contributions	198	-38	10	92	254	291	1,089	-
Gain/Loss	2,043	2,043	2,043	2,043	2,043	2,043	2,043	-
Ending Market Value	2,043	2,043	2,043	2,043	2,043	2,043	2,043	-

Actual inception 8/30/2012

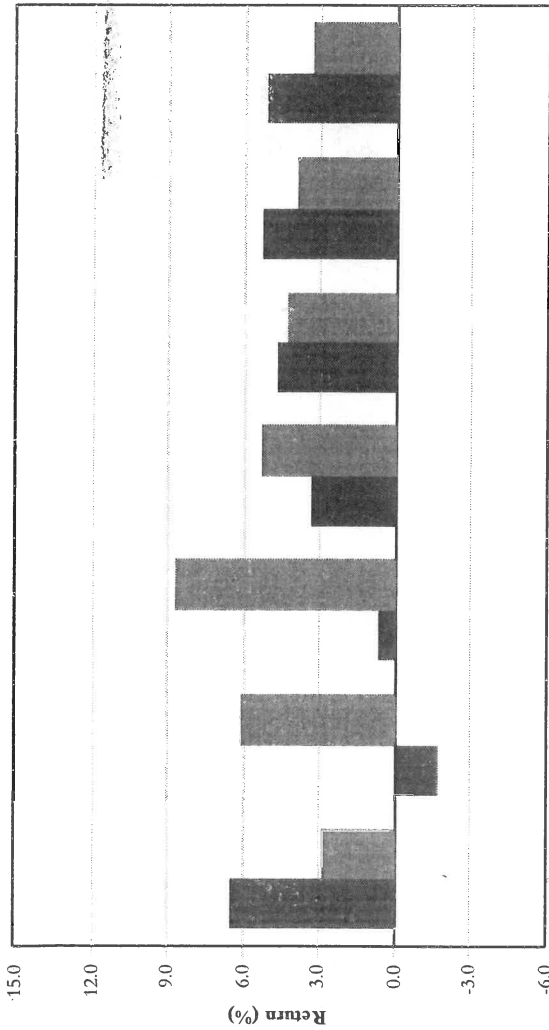
Sources of Portfolio Growth



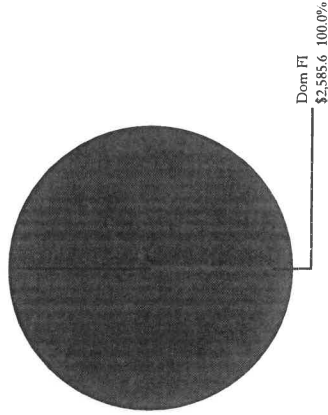
Sources of Portfolio Growth

Periods Ending	Beginning Market Value (\$000)	Net Cash Flow (\$000)	Investment Increment (\$000)	Ending Market Value (\$000)	%Return	Unit Value
Sep-2012	-	-	-	720	N/A	100.00
Dec-2012	720	-4	20	735	2.75	102.75
Mar-2013	735	696	-6	1,426	-0.91	101.82
Jun-2013	1,426	492	-71	1,847	-3.52	98.23
Sep-2013	1,847	-	-	1,848	0.03	98.26
Dec-2013	1,848	-	-9	1,838	-0.50	97.76
Mar-2014	1,838	-	75	1,914	4.09	101.76
Jun-2014	1,914	-	81	1,995	4.24	106.08
Sep-2014	1,995	-	-39	1,956	-1.94	104.02
Dec-2014	1,956	-	2	1,958	0.12	104.15
Mar-2015	1,958	-	-11	1,948	-0.54	103.58
Jun-2015	1,948	-	-63	1,884	-3.25	100.22
Sep-2015	1,884	-	-84	1,800	-4.48	95.73
Dec-2015	1,800	-	-14	1,786	-0.80	94.97
Mar-2016	1,786	-	150	1,936	8.40	102.94
Jun-2016	1,936	-	35	1,971	1.83	104.82
Sep-2016	1,971	-8	28	1,991	1.42	106.31
Dec-2016	1,991	-21	-128	1,843	-6.43	99.47
Mar-2017	1,843	-26	97	1,914	5.28	104.73
Jun-2017	1,914	-17	78	1,975	4.10	109.02
Sep-2017	1,975	-	53	2,028	2.68	111.94
Dec-2017	2,028	-14	3	2,017	0.17	112.13
Mar-2018	2,017	-11	79	2,086	3.94	116.55
Jun-2018	2,086	-	-142	1,944	-6.79	108.64
Sep-2018	1,944	-	-17	1,927	-0.88	107.69
Dec-2018	1,927	-	-21	1,907	-1.07	106.54
Mar-2019	1,907	-	56	1,963	2.93	109.66
Jun-2019	1,963	-	70	2,033	3.59	113.60
Sep-2019	2,033	-	-36	1,997	-1.79	111.56
Dec-2019	1,997	-	84	2,081	4.22	116.27
Mar-2020	2,081	-	-236	1,844	-11.36	103.05
Jun-2020	1,844	-	198	2,043	10.76	114.14
	720	1,089	234	2,043	14.14	114.14

Portfolio Performance (%)

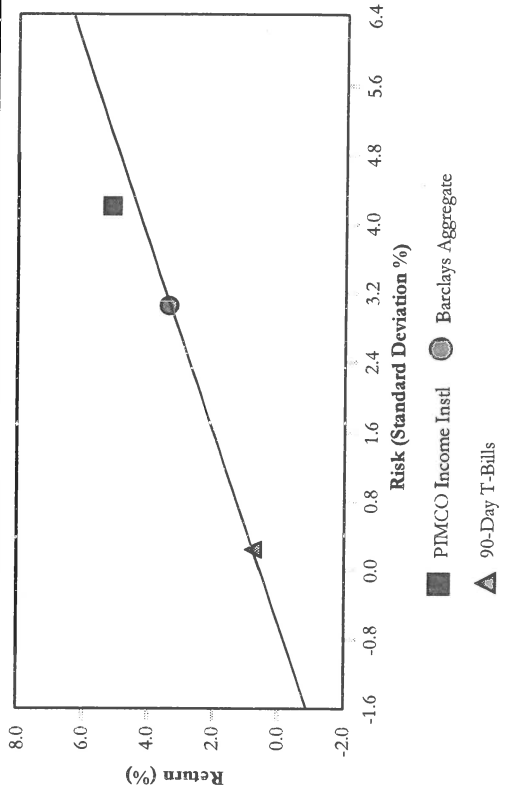


Asset Allocation (\$000)



Portfolio Characteristics vs. Barclays Aggregate Since Inception

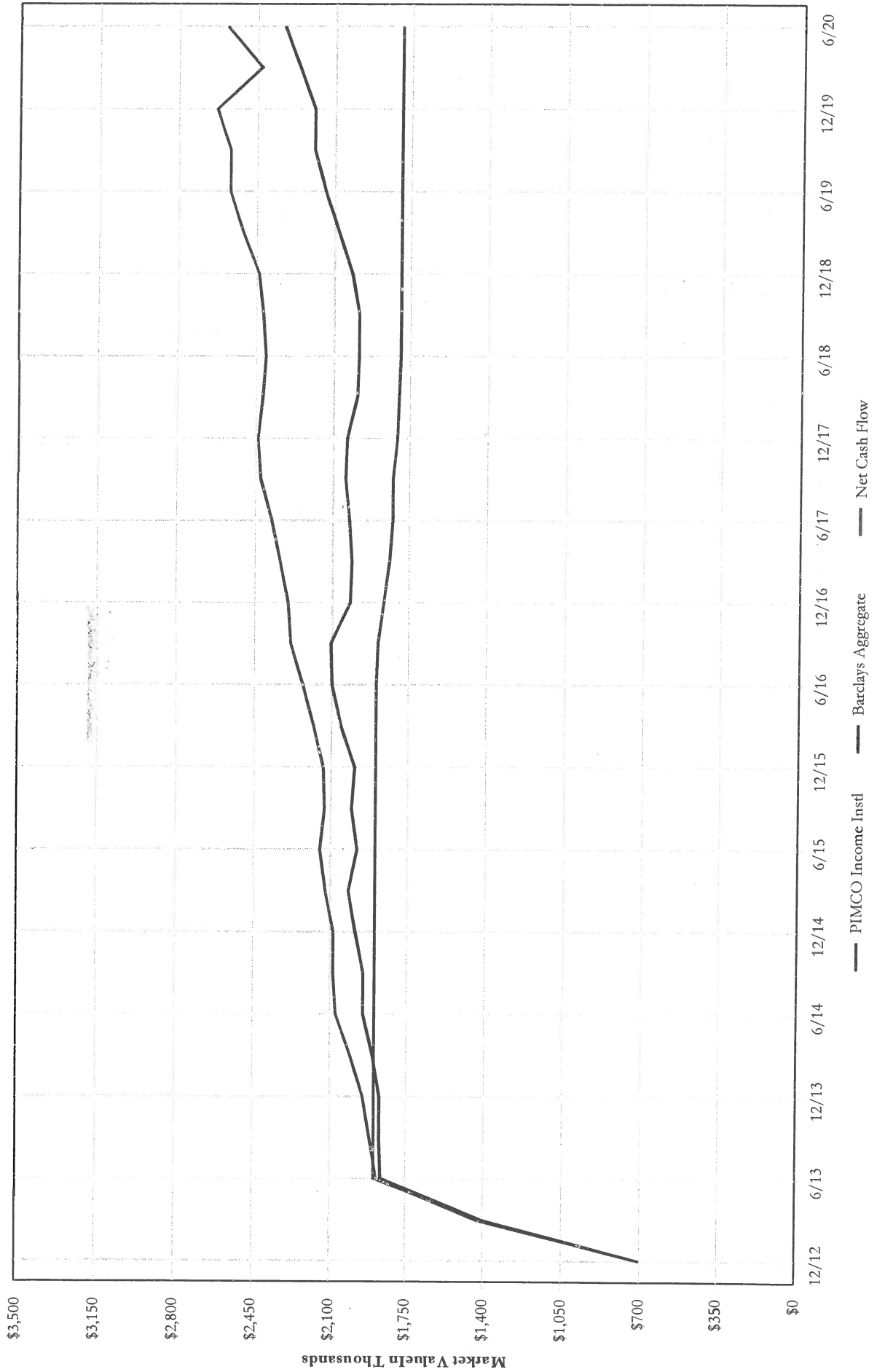
	Beta	Alpha	R-Squared	Sharpe Ratio	Inception Date
PIMCO Income Instl	0.44	3.68	0.10	1.01	01/01/2013



Asset Growth (\$000)

	Current Quarter	YTD	1 Year	3 Years	5 Years	7 Years	Since Inception	Inception Date
PIMCO Income Instl	2,428	2,630	2,568	2,372	2,146	1,883	701	01/01/2013
Beginning Market Value	-	-	-	-29	-100	-100	1,096	
Net Contributions	157	-44	18	242	540	803	789	
Gain/Loss	2,586	2,586	2,586	2,586	2,586	2,586	2,586	
Ending Market Value								

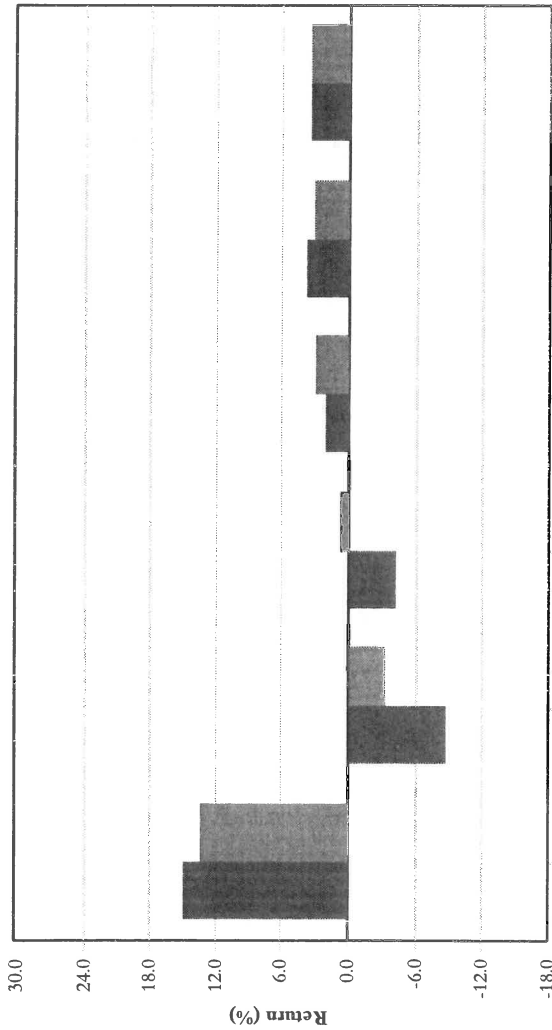
Sources of Portfolio Growth



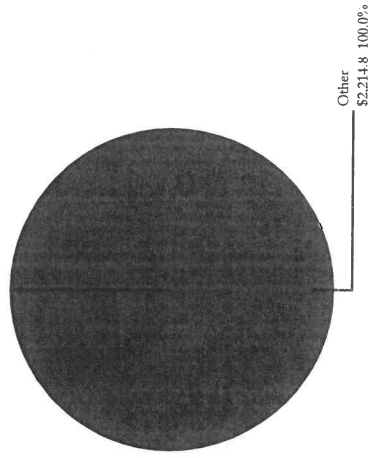
Sources of Portfolio Growth

Periods Ending	Beginning Market Value (\$000)	Net Cash Flow (\$000)	Investment Increment (\$000)	Ending Market Value (\$000)	%Return	Unit Value
Dec-2012	-	-	-	701	N/A	100.00
Mar-2013	701	700	25	1,426	3.08	103.08
Jun-2013	1,426	495	-39	1,883	-1.55	101.48
Sep-2013	1,883	-	34	1,916	1.79	103.29
Dec-2013	1,916	-	28	1,944	1.48	104.82
Mar-2014	1,944	-	61	2,005	3.11	108.08
Jun-2014	2,005	-	65	2,070	3.25	111.60
Sep-2014	2,070	-	16	2,086	0.76	112.44
Dec-2014	2,086	-	-2	2,084	-0.11	112.32
Mar-2015	2,084	-	41	2,125	1.96	114.53
Jun-2015	2,125	-	21	2,146	1.00	115.67
Sep-2015	2,146	-	-18	2,128	-0.85	114.69
Dec-2015	2,128	-	10	2,138	0.48	115.25
Mar-2016	2,138	-	39	2,177	1.82	117.34
Jun-2016	2,177	-	53	2,230	2.44	120.21
Sep-2016	2,230	-8	63	2,285	2.81	123.59
Dec-2016	2,285	-21	32	2,296	1.39	125.31
Mar-2017	2,296	-26	66	2,336	2.88	128.92
Jun-2017	2,336	-17	53	2,372	2.27	131.85
Sep-2017	2,372	-	50	2,422	2.10	134.62
Dec-2017	2,422	-14	27	2,434	1.10	136.10
Mar-2018	2,434	-11	-5	2,419	-0.21	135.81
Jun-2018	2,419	-4	-12	2,402	-0.49	135.14
Sep-2018	2,402	-	14	2,416	0.57	135.91
Dec-2018	2,416	-	18	2,434	0.73	136.91
Mar-2019	2,434	-	74	2,508	3.03	141.05
Jun-2019	2,508	-	60	2,568	2.40	144.44
Sep-2019	2,568	-	-3	2,565	-0.11	144.28
Dec-2019	2,565	-	65	2,630	2.53	147.93
Mar-2020	2,630	-	-202	2,428	-7.66	136.59
Jun-2020	2,428	-	157	2,586	6.48	145.44
	701	1,096	789	2,586	45.44	145.44

Portfolio Performance (%)

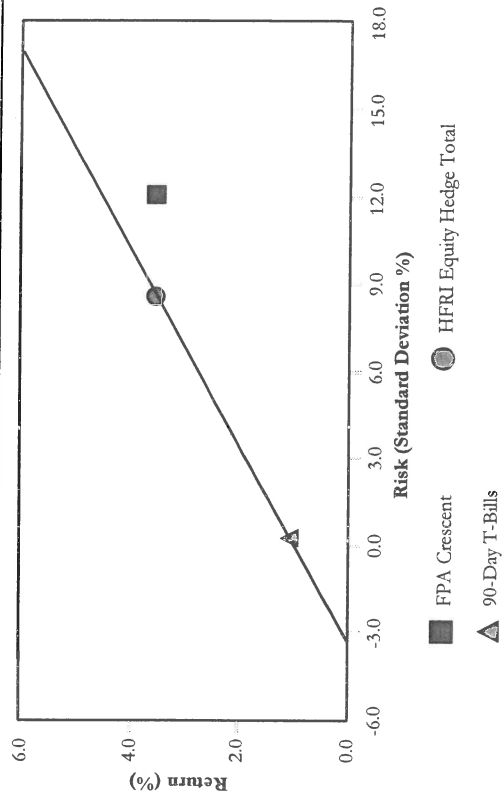


Asset Allocation (\$000)



Portfolio Characteristics vs. HFRI Equity Hedge Total Since Inception

	Beta	Alpha	R-Squared	Sharpe Ratio	Inception Date
FPA Crescent	1.33	-0.86	0.89	0.26	01/01/2015

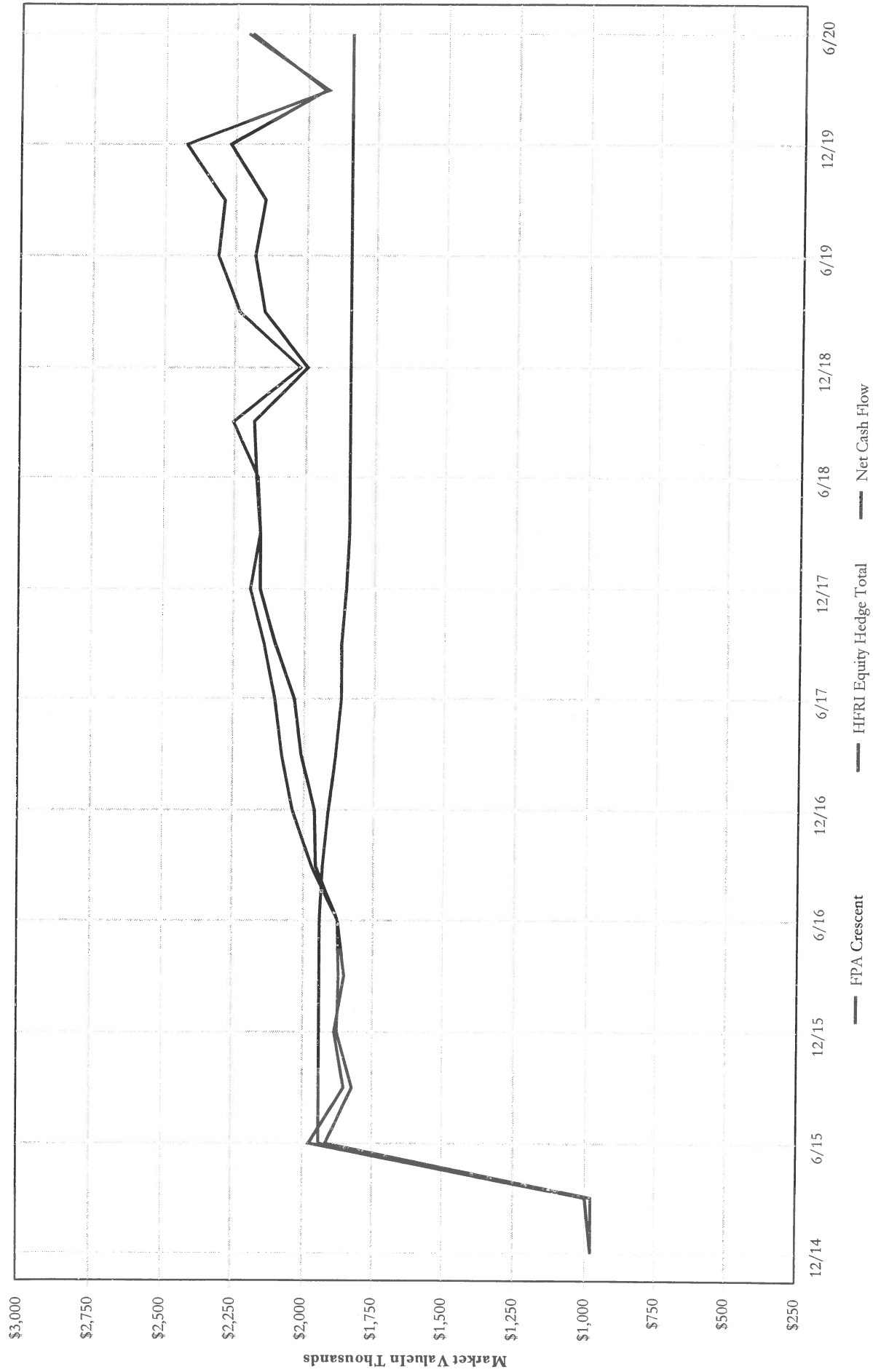


Asset Growth (\$000)

	Current Quarter	YTD	1 Year	3 Years	5 Years	Since Inception	Inception Date
FPA Crescent	1,926	2,423	2,311	2,104	1,916	977	01/01/2015
Beginning Market Value	-	-	-	-25	-96	867	
Net Contributions	289	-208	-97	136	395	370	
Gain/Loss	2,215	2,215	2,215	2,215	2,215	2,215	
Ending Market Value							

Actual inception 11/17/2014

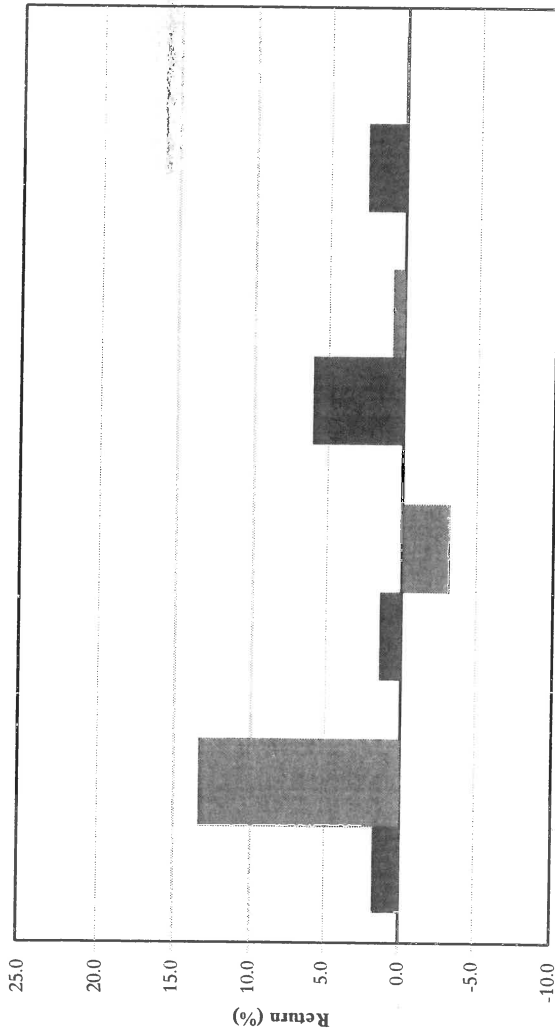
Sources of Portfolio Growth



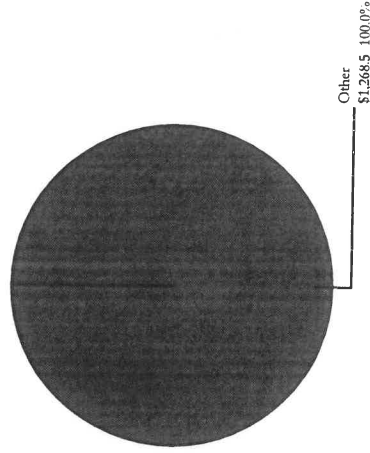
Sources of Portfolio Growth

Periods Ending	Beginning Market Value (\$000)	Net Cash Flow (\$000)	Investment Increment (\$000)	Ending Market Value (\$000)	%Return	Unit Value
Dec-2014	=	-	-	977	N/A	100.00
Mar-2015	977	-	1	979	0.15	100.15
Jun-2015	979	963	-26	1,916	-0.15	100.00
Sep-2015	1,916	-	-91	1,825	-4.73	95.27
Dec-2015	1,825	-	51	1,876	2.80	97.94
Mar-2016	1,876	-	-4	1,873	-0.19	97.75
Jun-2016	1,873	-	7	1,880	0.39	98.13
Sep-2016	1,880	-8	99	1,972	5.29	103.32
Dec-2016	1,972	-21	88	2,039	4.49	107.95
Mar-2017	2,039	-26	68	2,082	3.38	111.60
Jun-2017	2,082	-17	38	2,104	1.84	113.66
Sep-2017	2,104	-	40	2,143	1.90	115.81
Dec-2017	2,143	-14	62	2,191	2.90	119.18
Mar-2018	2,191	-11	-21	2,159	-0.98	118.01
Jun-2018	2,159	-	7	2,166	0.32	118.39
Sep-2018	2,166	-	90	2,256	4.15	123.30
Dec-2018	2,256	-	-237	2,019	-10.52	110.33
Mar-2019	2,019	-	218	2,237	10.80	122.24
Jun-2019	2,237	-	74	2,311	3.33	126.31
Sep-2019	2,311	-	-19	2,293	-0.81	125.29
Dec-2019	2,293	-	130	2,423	5.69	132.41
Mar-2020	2,423	-	-497	1,926	-20.51	105.25
Jun-2020	1,926	-	289	2,215	15.00	121.04
	977	867	370	2,215	21.04	121.04

Portfolio Performance (%)

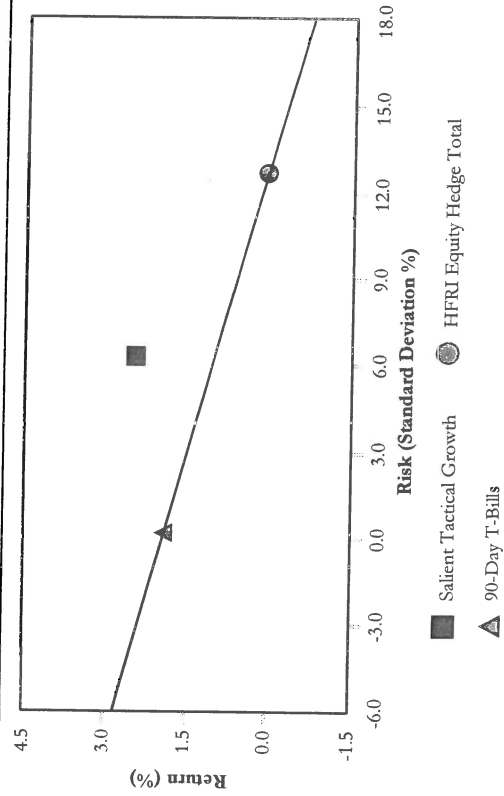


Asset Allocation (\$000)



Portfolio Characteristics vs. HFRI Equity Hedge Total Since Inception

	Beta	Alpha	R-Squared	Sharpe Ratio	Inception Date
Salient Tactical Growth	0.25	2.44	0.25	0.11	09/01/2018

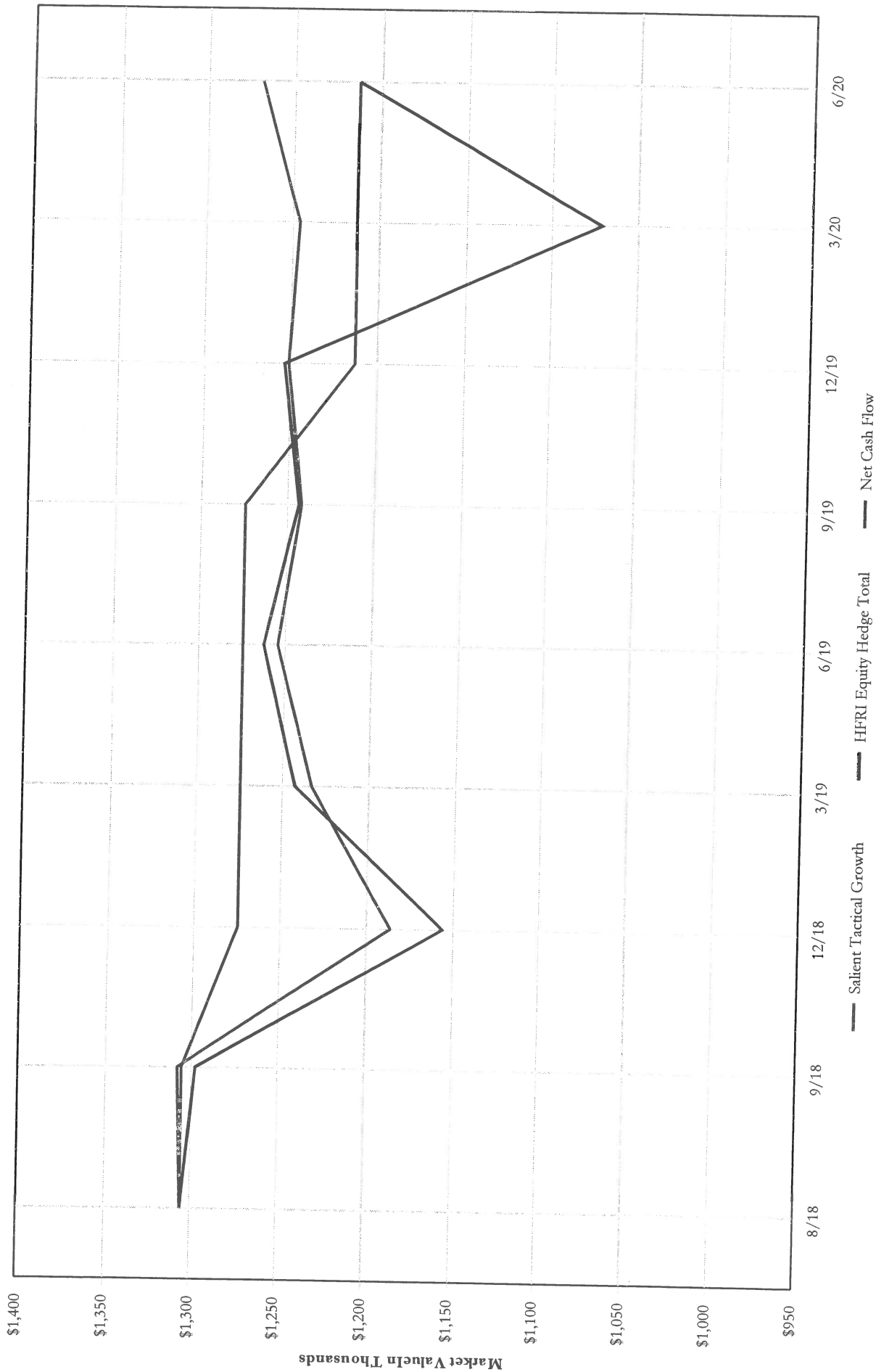


Asset Growth (\$000)

	Current Quarter	YTD	1 Year	Since Inception	Inception Date
Salient Tactical Growth	1,246	1,251	1,254	1,306	09/01/2018
Beginning Market Value	-	-	-61	-93	
Net Contributions	22	17	75	55	
Gain/Loss	1,268	1,268	1,268	1,268	
Ending Market Value					

Actual inception 11/25/2015

Sources of Portfolio Growth



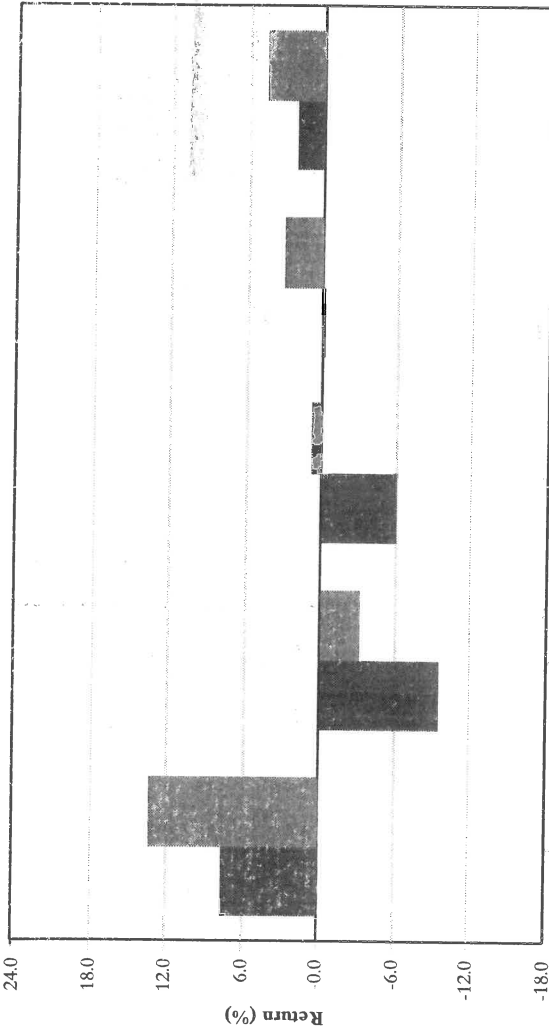
Sources of Portfolio Growth

Periods Ending	Beginning Market Value (\$000)	Net Cash Flow (\$000)	Investment Increment (\$000)	Ending Market Value (\$000)	%Return	Unit Value
Aug-2018	-	-	-	1,306	N/A	100.00
Sep-2018	1,306	-	2	1,308	0.18	100.18
Dec-2018	1,308	-32	-90	1,187	-6.91	93.26
Mar-2019	1,187	-	47	1,233	3.93	96.93
Jun-2019	1,233	-	21	1,254	1.70	98.58
Sep-2019	1,254	-	-12	1,242	-0.97	97.63
Dec-2019	1,242	-61	70	1,251	5.64	103.13
Mar-2020	1,251	-	-5	1,246	-0.41	102.70
Jun-2020	1,246	-	22	1,268	1.80	104.55
	1,306	-93	55	1,268	4.55	104.55

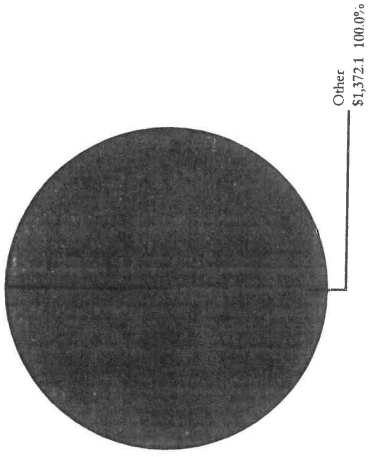
Galveston Employees Retirement - Wells Fargo Absolute Return

as of June 30, 2020

Portfolio Performance (%)

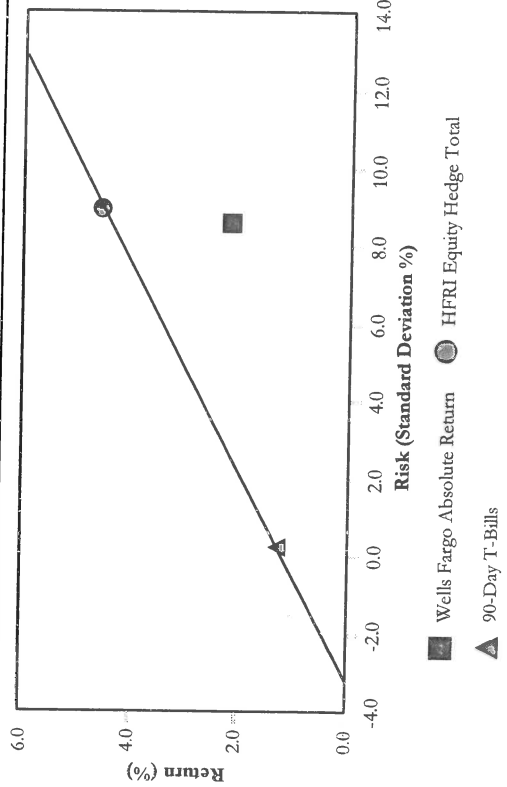


Asset Allocation (\$000)



Portfolio Characteristics vs. HFRI Equity Hedge Total Since Inception

	Wells Fargo Absolute Return	Beta	Alpha	R-Squared	Sharpe Ratio	Inception Date
	0.89	0.89	-1.77	0.85	0.14	01/01/2016



Asset Growth (\$000)

	Current Quarter	YTD	1 Year	3 Years	Since Inception	Inception Date
Wells Fargo Absolute Return	1,275	1,518	1,460	1,403	1,335	01/01/2016
Beginning Market Value	-	-	-	-25	-96	
Net Contributions	97	-145	-87	-6	133	
Gain/Loss	1,372	1,372	1,372	1,372	1,372	
Ending Market Value						

Actual inception 11/25/2015

Sources of Portfolio Growth



Sources of Portfolio Growth

Periods Ending	Beginning Market Value (\$000)	Net Cash Flow (\$000)	Investment Increment (\$000)	Ending Market Value (\$000)	%Return	Unit Value
Dec-2015	-	-	-	1,335	N/A	100.00
Mar-2016	1,335	-	1	1,336	0.10	100.10
Jun-2016	1,336	-	11	1,347	0.79	100.89
Sep-2016	1,347	-8	46	1,385	3.41	104.33
Dec-2016	1,385	-21	-18	1,347	-1.31	102.96
Mar-2017	1,347	-26	62	1,383	4.65	107.75
Jun-2017	1,383	-17	37	1,403	2.69	110.64
Sep-2017	1,403	-	29	1,432	2.07	112.93
Dec-2017	1,432	-14	38	1,455	2.64	115.92
Mar-2018	1,455	-11	10	1,455	0.70	116.73
Jun-2018	1,455	-	-34	1,421	-2.35	113.99
Sep-2018	1,421	-	5	1,426	0.36	114.39
Dec-2018	1,426	-	-62	1,364	-4.32	109.45
Mar-2019	1,364	-	73	1,437	5.37	115.33
Jun-2019	1,437	-	22	1,460	1.55	117.11
Sep-2019	1,460	-	-18	1,441	-1.25	115.64
Dec-2019	1,441	-	76	1,518	5.29	121.76
Mar-2020	1,518	-	-242	1,275	-15.97	102.31
Jun-2020	1,275	-	97	1,372	7.60	110.09
	1,335	-96	133	1,372	10.09	110.09

iShares Core S&P 500 ETF (USD)

Morningstar Analyst Rating™
★★★★★
Gold
02-27-2020

Overall Morningstar Rating™
★★★★★
1,230 US Fund Large Blend

Standard Index
S&P 500 TR USD

Category Index
Russell 1000 TR USD

Morningstar Cat
US Fund Large Blend

Performance 06-30-2020

Quarterly Returns	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	Total %
2018	-0.77	3.42	7.70	-13.53	-4.42
2019	13.65	4.29	1.69	9.05	31.44
2020	-19.60	20.54	—	—	-3.09
Trailing Returns	1 Yr	3 Yr	5 Yr	10 Yr	Incept
Std Mkt 06-30-20	7.36	—	10.65	13.91	5.82
Std NAV 06-30-20	7.47	—	10.69	13.92	5.83
Mkt Total Ret	7.36	10.62	10.65	13.91	5.82
NAV Total Ret	7.47	10.70	10.69	13.92	5.83
+/- Std Index	-0.03	-0.03	-0.04	-0.07	—
+/- Cat Index	-0.01	0.05	0.21	-0.05	—
% Rank Cat	23	18	11	9	—
No. in Cat	1,380	1,230	1,058	806	—

30-day SEC Yield 2020-03-31 2.27

Performance Disclosure

The Overall Morningstar Rating is based on risk-adjusted returns, derived from a weighted average of the three-, five-, and 10-year (if applicable) Morningstar metrics.

The performance data quoted represents past performance and does not guarantee future results. The investment return and principal value of an investment will fluctuate; thus an investor's shares, when sold or redeemed, may be worth more or less than their original cost.

Current performance may be lower or higher than return data quoted herein. For performance data current to the most recent month-end, please call 800-474-2737 or visit www.ishares.com.

Fees and Expenses

Fund Expenses	
Management Fees %	0.03
Annual Report Net Expense Ratio %	0.04
Annual Report Gross Expense Ratio %	0.04
12b1 Expense %	NA

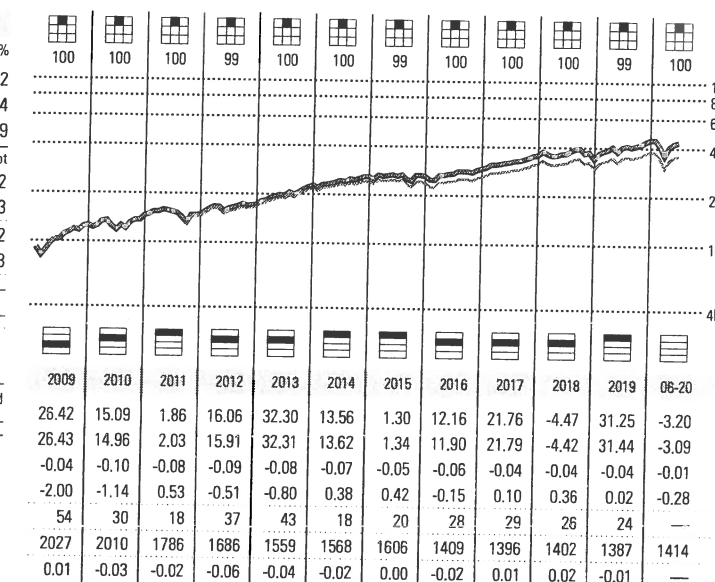
Risk and Return Profile

	3 Yr	5 Yr	10 Yr
Morningstar Rating™	4★	4★	5★
Morningstar Risk	Avg	Avg	Avg
Morningstar Return	+Avg	+Avg	High
	3 Yr	5 Yr	10 Yr
Standard Deviation NAV	16.95	14.76	13.41
Standard Deviation MKT	16.84	14.71	13.38
Mean NAV	10.70	10.69	13.92
Mean MKT	10.62	10.65	13.91
Sharpe Ratio	0.59	0.69	1.00

MPT Statistics	Standard Index	Best Fit Index
NAV		S&P 500 TR USD
Alpha	-0.03	-0.03
Beta	1.00	1.00
R-Squared	100.00	100.00
12-Month Yield		2.04%
Potential Cap Gains Exp		—
Leveraged		No
Leverage Type		—
Leverage %		100.00
Primary Prospectus Benchmark		S&P 500 TR USD

Operations

Family:	iShares
Manager:	Multiple
Tenure:	12.5 Years
Total Assets:	\$202,460.8 mil
Shares Outstanding:	628.60 mil
Type:	ETF



Portfolio Analysis 07-22-2020

Asset Allocation %	Net %	Long %	Short %
Cash	0.25	0.25	0.00
US Stocks	98.75	98.75	0.00
Non-US Stocks	1.01	1.01	0.00
Bonds	0.00	0.00	0.00
Other/Not Clsfd	0.00	0.00	0.00
Total	100.00	100.00	0.00

Equity Style

Value Blend Growth			Performance Ratios			Port Avg	Rel Index	Rel Cat
			Large Mid Small	P/E Ratio TTM	22.9	1.01	1.02	
				P/C Ratio TTM	14.1	1.01	0.96	
				P/B Ratio TTM	3.3	1.01	11.83	
				Geo Avg Mkt Cap	140070	1.01	0.72	
				\$mil				

Fixed-Income Style

Ltd	Mod	Ext
High	Med	Low
Avg Eff Maturity		—
Avg Eff Duration		—
Avg Wtd Coupon		—
Avg Wtd Price		—

Credit Quality Breakdown —

	Bond %
AAA	—
AA	—
A	—
BBB	—
BB	—
B	—
Below B	—
NR	—

Regional Exposure

	Stocks %	Rel Std Index
Americas	99.0	1.00
Greater Europe	1.0	1.05
Greater Asia	0.0	0.95

Top Holdings 07-15-2020

Share Chg since 07-2020	Share Amount	Holdings	506 Total Stocks, 0 Total Fixed-Income, 4% Turnover Ratio	Net Assets %
⊕	58 mil	Microsoft Corp		5.91
⊕	31 mil	Apple Inc		5.84
⊕	3 mil	Amazon.com Inc		4.78
⊕	18 mil	Facebook Inc A		2.12
⊕	2 mil	Alphabet Inc A		1.73
⊕	2 mil	Alphabet Inc Class C		1.69
⊕	20 mil	Johnson & Johnson		1.46
⊕	15 mil	Berkshire Hathaway Inc Class B		1.38
⊕	13 mil	Visa Inc Class A		1.24
⊕	19 mil	Procter & Gamble Co		1.15
⊕	23 mil	JPMorgan Chase & Co		1.11
⊕	7 mil	UnitedHealth Group Inc		1.07
⊕	8 mil	The Home Depot Inc		1.05
⊕	7 mil	Mastercard Inc A		1.02
⊕	32 mil	Intel Corp		0.95

Sector Weightings

	Stocks %	Rel Std Index
Cyclical	29.0	1.00
Basic Materials	2.3	1.04
Consumer Cyclical	10.9	1.03
Financial Services	13.1	0.99
Real Estate	2.7	0.95
Sensitive	45.7	0.99
Communication Services	10.9	1.01
Energy	2.7	0.94
Industrials	8.4	1.00
Technology	23.8	0.99
Defensive	25.3	1.01
Consumer Defensive	7.4	1.00
Healthcare	14.8	1.01
Utilities	3.1	1.02

iShares Edge MSCI Min Vol USA ETF (USD)

Morningstar Analyst Rating™
Silver
06-10-2020

Overall Morningstar Rating™
★★★★★
1,230 US Fund Large Blend

Standard Index
S&P 500 TR USD

Category Index
Russell 1000 TR USD

Morningstar Cat
US Fund Large Blend

Performance 06-30-2020

Quarterly Returns	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	Total %
2018	-1.12	2.85	7.82	-7.56	1.36
2019	12.70	5.56	4.24	3.04	27.77
2020	-17.20	12.86	—	—	-6.56
Trailing Returns	1 Yr	3 Yr	5 Yr	10 Yr	Incept
Std Mkt 06-30-20	0.35	—	10.78	—	12.83
Std NAV 06-30-20	0.36	—	10.78	—	12.85
Mkt Total Ret	0.35	9.60	10.78	—	12.83
NAV Total Ret	0.36	9.62	10.78	—	12.85
+/- Std Index	-7.14	-1.11	0.06	—	—
+/- Cat Index	-7.12	-1.02	0.31	—	—
% Rank Cat	76	43	9	—	—
No. in Cat	1,380	1,230	1,058	—	—

30-day SEC Yield 2020-03-31	2.50
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Performance Disclosure

The Overall Morningstar Rating is based on risk-adjusted returns, derived from a weighted average of the three-, five-, and 10-year (if applicable) Morningstar metrics.

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Fees and Expenses

Fund Expenses

Management Fees % 0.15

Annual Report Net Expense Ratio % 0.15

Annual Report Gross Expense Ratio % 0.15

12b1 Expense % NA

Risk and Return Profile

	3 Yr	5 Yr	10 Yr
1230 funds	1058 funds	806 funds	—

Morningstar Rating™ 4★ 5★ —

Morningstar Risk Low Low —

Morningstar Return Avg High —

Standard Deviation NAV 13.71 11.99 —

Standard Deviation MKT 13.55 11.88 —

Mean NAV 9.62 10.78 —

Mean MKT 9.60 10.78 —

Sharpe Ratio 0.62 0.82 —

MPT Statistics Standard Index Best Fit Index

NAV Morningstar US Mid Core TR USD

Alpha 0.95 5.22

Beta 0.76 0.64

R-Squared 87.55 88.57

12-Month Yield 2.12%

Potential Cap Gains Exp —

Leveraged No

Leverage Type —

Leverage % 100.00

Primary Prospectus Benchmark MSCI USA Minimum Volatility (USD) GR USD

Operations

Family: iShares

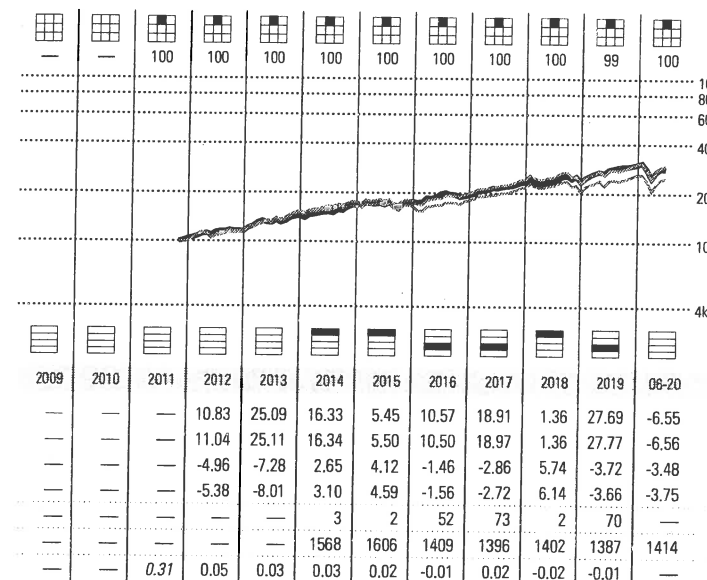
Manager: Multiple

Tenure: 8.8 Years

Total Assets: \$34,479.9 mil

Shares Outstanding: 548.20 mil

Type: ETF



Portfolio Analysis 07-24-2020

Asset Allocation %	Net %	Long %	Short %
Cash	0.23	0.23	0.00
US Stocks	96.81	96.81	0.00
Non-US Stocks	2.96	2.96	0.00
Bonds	0.00	0.00	0.00
Other/Not Clsfd	0.00	0.00	0.00
Total	100.00	100.00	0.00

Equity Style	Value	Blend	Growth
Large	—	—	—
Mid	—	—	—
Small	—	—	—

Portfolio Statistics	Port Avg	Rel Index	Rel Cat
P/E Ratio TTM	23.7	1.04	1.05
P/C Ratio TTM	15.0	1.07	1.02
P/B Ratio TTM	3.5	1.05	12.26
Geo Avg Mkt Cap \$mil	59117	0.43	0.30

Fixed-Income Style	Ltd	Mod	Ext
High	—	—	—
Med	—	—	—
Low	—	—	—

Credit Quality Breakdown —	Bond %
AAA	—
AA	—
A	—
BBB	—
BB	—
B	—
Below B	—
NR	—

Regional Exposure	Stocks %	Rel Std Index
Americas	98.3	0.99
Greater Europe	1.7	1.89
Greater Asia	0.0	0.00

Top Holdings 07-16-2020

Share Chg since 07-2020	Share Amount	Holdings : 194 Total Stocks, 0 Total Fixed-Income, 21% Turnover Ratio	Net Assets %
—	2 mil	NextEra Energy Inc	1.70
—	3 mil	McDonald's Corp	1.54
—	3 mil	Microsoft Corp	1.49
—	5 mil	T-Mobile US Inc	1.48
—	3 mil	Visa Inc Class A	1.46
—	4 mil	PepsiCo Inc	1.45
—	9 mil	Verizon Communications Inc	1.44
—	785,914	Regeneron Pharmaceuticals Inc	1.43
—	5 mil	Waste Management Inc	1.43
—	2 mil	Vertex Pharmaceuticals Inc	1.41
—	10 mil	Coca-Cola Co	1.39
—	6 mil	Republic Services Inc Class A	1.39
—	6 mil	Merck & Co Inc	1.38
—	3 mil	Johnson & Johnson	1.37
—	7 mil	Newmont Corp	1.36

Sector Weightings	Stocks %	Rel Std Index
Cyclical	28.1	0.97
Basic Materials	2.6	1.17
Consumer Cyclical	5.7	0.54
Financial Services	15.0	1.13
Real Estate	4.8	1.70
Sensitive	33.8	0.74
Communication Services	6.5	0.60
Energy	1.0	0.37
Industrials	8.9	1.06
Technology	17.4	0.73
Defensive	38.1	1.51
Consumer Defensive	13.3	1.80
Healthcare	16.4	1.11
Utilities	8.4	2.74

Vanguard Mid Cap Index Institutional (USD)

Morningstar Analyst Rating™
Gold
 08-23-2019

Overall Morningstar Rating™
 ★★★★★
 370 US Fund Mid-Cap Blend

Standard Index
 S&P 500 TR USD

Category Index
 Russell Mid Cap TR USD

Morningstar Cat
 US Fund Mid-Cap Blend

Performance 06-30-2020

Quarterly Returns	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	Total %
2018	0.00	2.57	4.68	-15.47	-9.24
2019	16.78	4.36	0.60	6.87	31.04
2020	-25.71	24.96	—	—	-7.16

Trailing Returns	1 Yr	3 Yr	5 Yr	10 Yr	Incept
Load-adj Mthly	-0.18	6.47	7.00	12.49	9.43
Std 06-30-2020	-0.18	—	7.00	12.49	9.43
Total Return	-0.18	6.47	7.00	12.49	9.43

+/- Std Index	-7.68	-4.26	-3.73	-1.50	—
+/- Cat Index	2.06	0.68	0.24	0.14	—

% Rank Cat	12	8	10	4	—
No. in Cat	410	370	296	216	—

7-day Yield	Subsidized	Unsubsidized
30-day SEC Yield 07-24-20	1.56	1.56

Performance Disclosure

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Fees and Expenses

Sales Charges

Front-End Load %

NA

Deferred Load %

NA

Fund Expenses

Management Fees %

0.04

12b1 Expense %

NA

Net Expense Ratio %

0.04

Gross Expense Ratio %

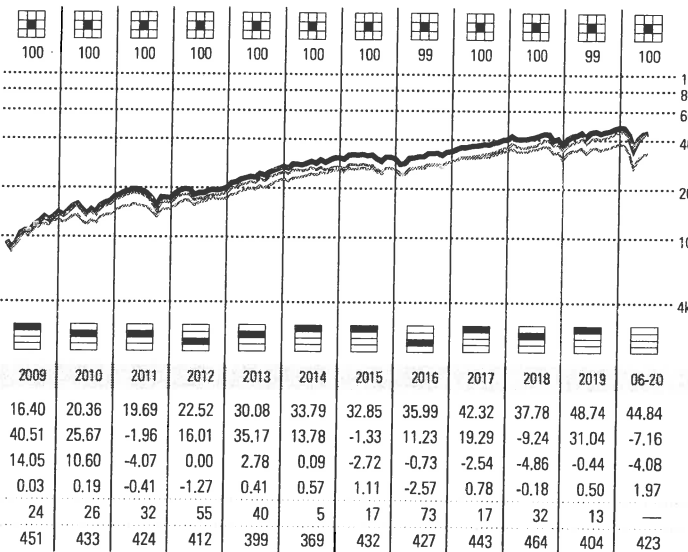
0.04

Risk and Return Profile

	3 Yr	5 Yr	10 Yr
Morningstar Rating™	4★	4★	5★
Morningstar Risk	Avg	Avg	-Avg
Morningstar Return	High	High	High
Standard Deviation	20.04	17.13	15.60
Mean	6.47	7.00	12.49
Sharpe Ratio	0.33	0.42	0.80

MPT Statistics	Standard Index	Best Fit Index
Alpha	-4.91	-0.41
Beta	1.16	0.99
R-Squared	95.80	99.75

12-Month Yield	1.78%
Potential Cap Gains Exp	26.82%



Portfolio Analysis 06-30-2020

Asset Allocation %

	Net %	Long %	Short %
Cash	-0.09	0.02	0.11
US Stocks	97.61	97.61	0.00
Non-US Stocks	2.47	2.47	0.00
Bonds	0.01	0.01	0.00
Other/Not Clsfd	0.00	0.00	0.00
Total	100.00	100.11	0.11

Equity Style

Value	Blend	Growth
Large	Mid	Small
Value	Blend	Growth
Large	Mid	Small

Portfolio Statistics

	Port Avg	Rel Index	Rel Cat
P/E Ratio TTM	19.7	0.87	1.17
P/C Ratio TTM	12.1	0.87	1.06
P/B Ratio TTM	2.7	0.81	1.21
Geo Avg Mkt Cap \$mil	17067	0.12	2.06

Fixed-Income Style

Ltd	Mod	Ext	
			High
			Med
			Low

Credit Quality Breakdown —

	Bond %
AAA	—
AA	—
A	—
BBB	—
BB	—
B	—
Below B	—
NR	—

Regional Exposure

	Stocks %	Rel Std Index
Americas	98.1	0.99
Greater Europe	1.1	1.21
Greater Asia	0.8	18.30

Share Chg since 05-2020	Share Amount	Holdings:	Net Assets %
—	—	355 Total Stocks, 5 Total Fixed-Income, 15% Turnover Ratio	—
⊕	7 mil	Digital Realty Trust Inc	0.89
⊖	2 mil	DexCom Inc	0.87
⊖	3 mil	Lululemon Athletica Inc	0.86
⊖	14 mil	Centene Corp	0.86
⊖	3 mil	SBA Communications Corp	0.77
⊖	3 mil	Veeva Systems Inc Class A	0.74
⊖	4 mil	Splunk Inc	0.74
⊖	4 mil	KLA Corp	0.70
✳	4 mil	DocuSign Inc	0.70
⊖	4 mil	Synopsys Inc	0.69
⊖	689,712	Chipotle Mexican Grill Inc Class A	0.68
⊖	7 mil	Amphenol Corp Class A	0.66
⊖	3 mil	Twilio Inc A	0.66
⊖	2 mil	IDEXX Laboratories Inc	0.65
⊖	8 mil	Eversource Energy	0.65

Sector Weightings

	Stocks %	Rel Std Index
Cyclical	35.4	1.23
Basic Materials	3.6	1.65
Consumer Cyclical	11.7	1.10
Financial Services	10.8	0.82
Real Estate	9.3	3.26
Sensitive	41.2	0.90
Communication Services	6.5	0.60
Energy	2.8	1.00
Industrials	12.1	1.44
Technology	19.8	0.83
Defensive	23.4	0.93
Consumer Defensive	4.1	0.55
Healthcare	13.2	0.89
Utilities	6.1	1.99

Operations

Family:	Vanguard
Manager:	Multiple
Tenure:	22.2 Years
Objective:	Growth

Base Currency:	USD
Ticker:	VMCIX
ISIN:	US9229088359
Minimum Initial Purchase:	\$5 mil

Purchase Constraints:	—
Incept:	05-21-1998
Type:	MF
Total Assets:	\$106,848.13 mil

iShares Core S&P Small-Cap ETF (USD)

Morningstar Analyst Rating™
 **Silver**
06-30-2020

Overall Morningstar Rating™
★★★★
615 US Fund Small Blend

Standard Index
S&P 500 TR USD

Category Index
Russell 2000 TR
USD

Morningstar Cat
U.S. Fund Small Blend

Performance 06-30-2020

Quarterly Returns	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	Total %
2018	0.65	8.70	4.75	-20.10	-8.43
2019	11.59	1.87	-0.20	8.23	22.79
2020	-32.65	21.98	—	—	-17.84
Trailing Returns	1 Yr	3 Yr	5 Yr	10 Yr	Incept
Std Mkt 06-30-20	-11.29	—	4.47	11.20	8.62
Std NAV 06-30-20	-11.26	—	4.47	11.21	8.63
Mkt Total Ret	-11.29	0.59	4.47	11.20	8.62
NAV Total Ret	-11.26	0.57	4.47	11.21	8.63
+/- Std Index	-18.76	-10.16	-6.25	-2.78	—
+/- Cat Index	-4.63	-1.43	0.19	0.71	—
% Rank Cat	50	37	15	9	
No. in Cat	669	615	495	359	

	Subsidized	Unsubsidized
30-day SEC Yield 2020-03-31	2.35	—

Performance Disclosure

The Overall Morningstar Rating is based on risk-adjusted returns, derived from a weighted average of the three-, five-, and 10-year (if applicable) Morningstar metrics.

The performance data quoted represents past performance and does not guarantee future results. The investment return and principal value of an investment will fluctuate; thus an investor's shares, when sold or redeemed, may be worth more or less than their original cost.

Current performance may be lower or higher than return data quoted herein. For performance data current to the most recent month-end, please call 800-474-2737 or visit www.ishares.com.

Fees and Expenses

Fund Expenses

Management Fees %	0.06
Annual Report Net Expense Ratio %	0.07

Annual Report Net Expense Ratio %

Annual Report Gross Expense Ratio %

12b1 Expense %

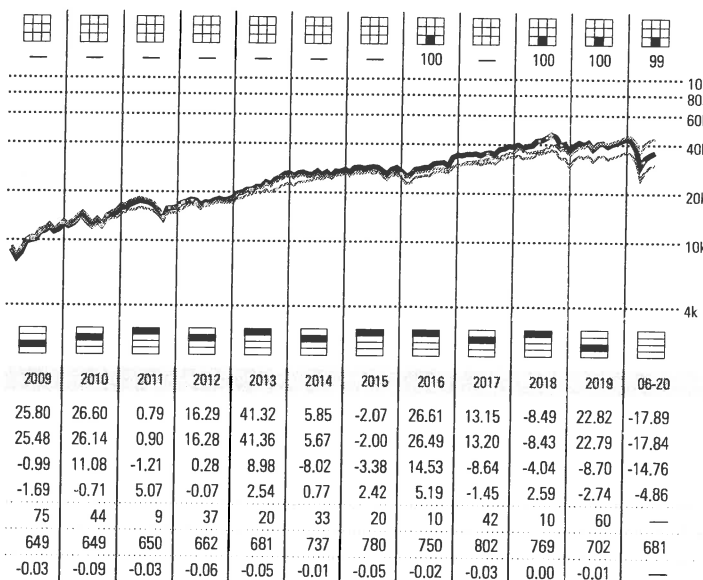
Risk and Return Profile

	3 Yr 615 funds	5 Yr 495 funds	10 Yr 359 funds
Morningstar Rating™	3★	4★	5★
Morningstar Risk	Avg	Avg	Avg
Morningstar Return	Avg	+Avg	High
	3 Yr	5 Yr	10 Yr
Standard Deviation NAV	23.40	20.34	18.21
Standard Deviation MKT	23.49	20.39	18.23
Mean NAV	0.57	4.47	11.21
Mean MKT	0.59	4.47	11.20
Sharpe Ratio	0.07	0.26	0.64

MPT Statistics	Standard Index	Best Fit Index Russell 2000 TR
NAV		USD
Alpha	-11.03	-1.33
Beta	1.28	1.01
R-Squared	85.83	98.55
12-Month Yield		1.73%
Potential Cap Gains Exp		—
Leveraged		No
Leverage Type		—
Leverage %		100.00
Primary Prospectus Benchmark	S&P SmallCap 600	TR USD

Operations

Family:	iShares	Ticker:	IJR	Mkt Price:	68.29
Manager:	Multiple	Incept:	05-22-2000	Base Currency:	USD
Tenure:	12.5 Years	Expiration Date:	—	Legal Structure:	Open Ended Investment Company
Total Assets:	\$40,965.4 mil	Exchange:	NYSE ARCA	Backing Bank:	BlackRock Fund Advisors
Shares Outstanding:	585.20 mil	NAV:	68.34		
Type:	ETF	Prem/Discount:	-0.07		



Portfolio Analysis 07-24-2020

Asset Allocation %	Net %	Long %	Short %
Cash	0.13	0.64	0.51
US Stocks	98.51	98.51	0.00
Non-US Stocks	1.36	1.36	0.00
Bonds	0.00	0.00	0.00
Other/Not Clsfd	0.00	0.00	0.00
Total	100.00	100.51	0.51

Equity Style

Value	Blend	Growth		Avg	Index	Ne	
			Large	P/E Ratio TTM	16.5	0.72	0.89
				P/C Ratio TTM	7.3	0.52	0.68
			Mid	P/B Ratio TTM	1.6	0.47	3.31
			Small	Geo Avg Mkt Cap	1504	0.01	0.45

Fixed-Income Style

Ltd	Mod	Ext		Avg Eff Maturity	_____
			High	Avg Eff Duration	_____
			Med	Avg Wtd Coupon	_____
			Low	Avg Wtd Price	_____

Credit Quality Breakdown —

Category	Count	Percentage
AAA	1	1.0%
AA	1	1.0%
A	1	1.0%
BBB	1	1.0%
BB	1	1.0%
B	1	1.0%
Below B	1	1.0%
NR	1	1.0%

Regional Exposure

Americas	99.3	1.00
Greater Europe	0.5	0.54
Greater Asia	0.2	5.16

Top Holdings 07-16-2020

Share Chg since 07-2020	Share Amount	Holdings : 601 Total Stocks , 0 Total Fixed-Income, 15% Turnover Ratio	Net Assets %
⊕	1 mil	Lithia Motors Inc Class A	0.73
⊕	261 mil	BlackRock Cash Funds Treasury SL A	0.63
⊕	3 mil	Exponent Inc	0.62
⊕	2 mil	Wingstop Inc	0.61
⊕	7 mil	NeoGenomics Inc	0.60
⊕	3 mil	Neogen Corp	0.59
⊕	7 mil	Momenta Pharmaceuticals Inc	0.54
⊕	1 mil	Stamps.com Inc	0.54
⊕	2 mil	Simpson Manufacturing Co Inc	0.53
⊕	2 mil	Power Integrations Inc	0.53
⊕	3 mil	Cogent Communications Holdings Inc	0.53
⊕	3 mil	Fox Factory Holding Corp	0.53
⊕	1 mil	Kinsale Capital Group Inc	0.52
⊕	2 mil	Proto Labs Inc	0.51
⊕	3 mil	Agree Realty Corp	0.51

Sector Weightings

	Stocks	Per 100 Index
 Cyclical	42.7	1.48
 Basic Materials	5.7	2.55
 Consumer Cyclical	14.0	1.32
 Financial Services	14.0	1.06
 Real Estate	9.0	3.16
 Sensitive	38.9	0.85
 Communication Services	2.9	0.27
 Energy	3.3	1.16
 Industrials	17.7	2.11
 Technology	15.1	0.63
 Defensive	18.4	0.73
 Consumer Defensive	3.6	0.49
 Healthcare	12.5	0.85
 Utilities	2.2	0.72

iShares Core MSCI EAFE ETF (USD)

Morningstar Analyst Rating™
★★★★★
Gold
12-04-2019

Overall Morningstar Rating™
★★★★★
648 US Fund Foreign Large Blend

Standard Index
MSCI ACWI Ex
USA NR USD

Category Index
MSCI ACWI Ex
USA NR USD

Morningstar Cat
US Fund Foreign Large Blend

Performance 06-30-2020

Quarterly Returns	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	Total %
2018	-1.39	-1.01	1.07	-13.03	-14.20
2019	10.12	3.54	-0.94	8.62	22.67
2020	-23.52	15.68	—	—	-11.52
Trailing Returns	1 Yr	3 Yr	5 Yr	10 Yr	Incept
Std Mkt 06-30-20	-4.49	—	2.46	—	5.04
Std NAV 06-30-20	-4.80	—	2.47	—	4.99
Mkt Total Ret	-4.49	0.82	2.46	—	5.04
NAV Total Ret	-4.80	0.95	2.47	—	4.99
+/- Std Index	0.00	-0.18	0.21	—	—
+/- Cat Index	0.00	-0.18	0.21	—	—
% Rank Cat	54	41	28	—	—
No. in Cat	759	648	519	—	—

30-day SEC Yield 2020-03-31

Subsidized 3.46
Unsubsidized —

Performance Disclosure

The Overall Morningstar Rating is based on risk-adjusted returns, derived from a weighted average of the three-, five-, and 10-year (if applicable) Morningstar metrics.

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Current performance may be lower or higher than return data quoted herein. For performance data current to the most recent month-end, please call 800-474-2737 or visit www.ishares.com.

Fees and Expenses

Fund Expenses

Management Fees %	0.07
Annual Report Net Expense Ratio %	0.08
Annual Report Gross Expense Ratio %	0.08
12b1 Expense %	NA

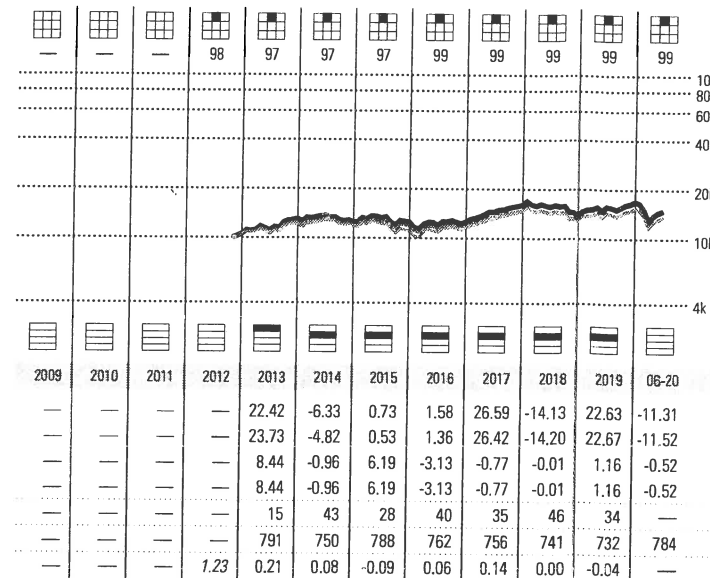
Risk and Return Profile

	3 Yr	5 Yr	10 Yr
Morningstar Rating™	3★	4★	—
Morningstar Risk	Avg	Avg	—
Morningstar Return	Avg	+Avg	—
Standard Deviation NAV	15.57	14.64	—
Standard Deviation MKT	15.59	14.25	—
Mean NAV	0.95	2.47	—
Mean MKT	0.82	2.46	—
Sharpe Ratio	0.03	0.16	—

MPT Statistics	Standard Index	Best Fit Index
NAV	MSCI EAFE NR USD	—
Alpha	-0.21	0.19
Beta	0.97	1.03
R-Squared	98.08	99.85
12-Month Yield	—	2.77%
Potential Cap Gains Exp	—	—
Leveraged	No	—
Leverage Type	—	—
Leverage %	—	100.00
Primary Prospectus Benchmark	MSCI EAFE IMI NR USD	—

Operations

Family:	iShares	Ticker:	IEFA
Manager:	Multiple	Incept:	10-18-2012
Tenure:	7.8 Years	Expiration Date:	—
Total Assets:	\$67,574.6 mil	Exchange:	BATS Z-EXCHANGE
Shares Outstanding:	1,132.20 mil	NAV:	57.08
Type:	ETF	Prem/Discount:	0.14



Investment Style

Equity
Stocks %

Growth of \$10,000

— iShares Core MSCI EAFE ETF 14,923
— Category Average 13,724
— Standard Index 13,596

Performance Quartile (within category)

History

Mkt Total Ret %
NAV Total Ret %
+/- Standard Index
+/- Category Index
% Rank Cat
No. of Funds in Cat
Avg Prem/Discount %

Portfolio Analysis 07-24-2020

Asset Allocation % 07-22-2020	Net %	Long %	Short %
Cash	0.50	0.50	0.01
US Stocks	0.67	0.67	0.00
Non-US Stocks	98.71	98.71	0.00
Bonds	0.00	0.00	0.00
Other/Not Clsfd	0.12	0.12	0.00
Total	100.00	100.01	0.01

Equity Style

Value	Blend	Growth
Large	Mid	Small
High	Med	Low

Portfolio Statistics

Port Avg	Rel Index	Rel Cat
P/E Ratio TTM	17.1	1.05
P/C Ratio TTM	8.7	0.99
P/B Ratio TTM	1.4	0.95
Geo Avg Mkt Cap \$mil	23079	0.65
Avg Eff Maturity	—	—
Avg Eff Duration	—	—
Avg Wtd Coupon	—	—
Avg Wtd Price	—	—

Fixed-Income Style

Ltd	Mod	Ext
High	Med	Low

Credit Quality Breakdown —

	Bond %
AAA	—
AA	—
A	—
BBB	—
BB	—
B	—
Below B	—
NR	—

Regional Exposure

	Stocks %	Rel Std Index
Americas	0.7	0.07
Greater Europe	61.8	1.40
Greater Asia	37.6	0.81

Top Holdings 07-15-2020

Share Chg since 07-2020	Share Amount	Holdings : 2,512 Total Stocks, 3 Total Fixed-Income, 3% Turnover Ratio	Net Assets %
⊕	13 mil	Nestle SA	2.17
⊕	3 mil	Roche Holding AG Dividend Right Ce	1.59
⊕	9 mil	Novartis AG	1.15
⊕	4 mil	SAP SE	1.07
⊕	2 mil	ASML Holding NV	1.04
⊕	6 mil	AstraZeneca PLC	0.91
⊕	9 mil	Toyota Motor Corp	0.82
⊕	1 mil	LVMH Moet Hennessy Louis Vuitton SE	0.80
⊕	7 mil	Novo Nordisk A/S B	0.75
⊕	5 mil	Sanofi SA	0.74
⊕	51 mil	AiA Group Ltd	0.69
⊕	21 mil	GlaxoSmithKline PLC	0.63
⊕	3 mil	Siemens AG	0.63
⊕	5 mil	Sony Corp	0.61
⊕	85 mil	HSBC Holdings PLC	0.59

Sector Weightings

	Stocks %	Rel Std Index
Cyclical	37.1	0.94
Basic Materials	7.5	0.99
Consumer Cyclical	10.1	0.93
Financial Services	15.3	0.84
Real Estate	4.2	1.50
Sensitive	34.2	0.95
Communication Services	6.2	0.71
Energy	3.3	0.66
Industrials	15.5	1.39
Technology	9.2	0.82
Defensive	28.7	1.17
Consumer Defensive	11.2	1.11
Healthcare	13.7	1.25
Utilities	3.8	1.10

iShares Core MSCI Emerging Markets ETF (USD)

Morningstar Analyst Rating™
Bronze
03-31-2020

Overall Morningstar Rating™
★★★
704 US Fund Diversified
Emerging Mkts

Standard Index
MSCI ACWI Ex
USA NR USD

Category Index
MSCI EM NR USD

Morningstar Cat
US Fund Diversified
Emerging Mkts

Performance 06-30-2020

Quarterly Returns	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	Total %
2018	1.20	-7.76	-1.37	-7.34	-14.69
2019	9.53	0.47	-4.28	11.54	17.50
2020	-24.40	18.90	—	—	-10.11
Trailing Returns	1 Yr	3 Yr	5 Yr	10 Yr	Incept
Std Mkt 06-30-20	-4.47	—	2.44	—	1.98
Std NAV 06-30-20	-4.03	—	2.45	—	2.06
Mkt Total Ret	-4.47	1.20	2.44	—	1.98
NAV Total Ret	-4.03	1.41	2.45	—	2.06
+/- Std Index	0.78	0.27	0.19	—	—
+/- Cat Index	-0.64	-0.49	-0.41	—	—
% Rank Cat	51	45	48	—	—
No. in Cat	815	704	595	—	—

30-day SEC Yield 2020-03-31
Subsidized 2.83
Unsubsidized —

Performance Disclosure

The Overall Morningstar Rating is based on risk-adjusted returns, derived from a weighted average of the three-, five-, and 10-year (if applicable) Morningstar metrics.

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Current performance may be lower or higher than return data quoted herein. For performance data current to the most recent month-end, please call 800-474-2737 or visit www.ishares.com.

Fees and Expenses

Fund Expenses	
Management Fees %	0.13
Annual Report Net Expense Ratio %	0.14
Annual Report Gross Expense Ratio %	0.14
12b1 Expense %	NA

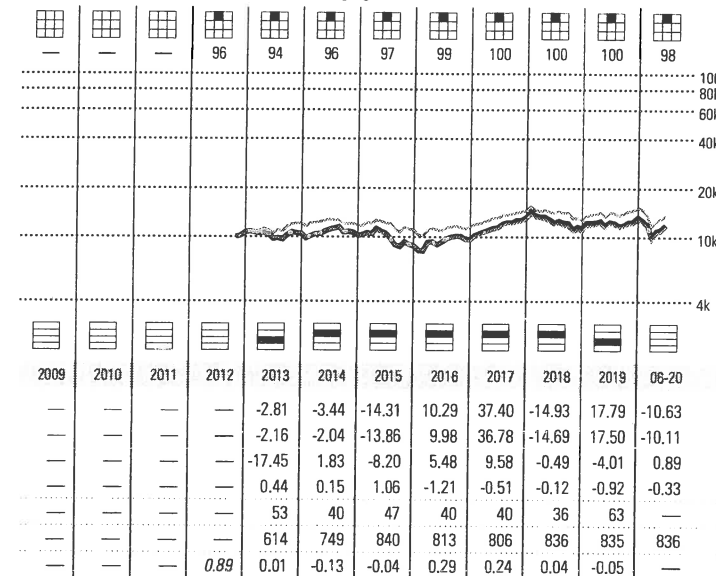
Risk and Return Profile

	3 Yr	5 Yr	10 Yr
704 funds	595 funds	246 funds	
Morningstar Rating™	3★	3★	—
Morningstar Risk	-Avg	Avg	—
Morningstar Return	Avg	Avg	—
Standard Deviation NAV	18.58	17.79	—
Standard Deviation MKT	18.96	17.88	—
Mean NAV	1.41	2.45	—
Mean MKT	1.20	2.44	—
Sharpe Ratio	0.08	0.16	—

MPT Statistics	Standard Index	Best Fit Index
NAV		MSCI EM NR USD
Alpha	0.63	-0.47
Beta	1.11	1.00
R-Squared	91.21	99.80
12-Month Yield		3.43%
Potential Cap Gains Exp		—
Leveraged		No
Leverage Type		—
Leverage %		100.00
Primary Prospectus Benchmark		MSCI EM IMI NR USD

Operations

Family:	iShares
Manager:	Multiple
Tenure:	7.8 Years
Total Assets:	\$52,462.3 mil
Shares Outstanding:	1,024.20 mil
Type:	ETF



Portfolio Analysis 07-24-2020

Asset Allocation %	Net %	Long %	Short %
Cash	1.92	1.92	0.00
US Stocks	0.32	0.32	0.00
Non-US Stocks	97.71	97.71	0.00
Bonds	0.00	0.00	0.00
Other/Not Clsfd	0.05	0.05	0.00
Total	100.00	100.00	0.00

Equity Style	Value	Blend	Growth
Large	—	—	—
Mid	—	—	—
Small	—	—	—

Portfolio Statistics	Port Avg	Rel Index	Rel Cat
P/E Ratio TTM	14.5	0.89	0.91
P/C Ratio TTM	8.5	0.98	0.84
P/B Ratio TTM	1.6	1.03	3.25
Geo Avg Mkt Cap \$mil	28293	0.80	0.61

Fixed-Income Style	Ltd	Mod	Ext
High	—	—	—
Med	—	—	—
Low	—	—	—

Credit Quality Breakdown —	Bond %
AAA	—
AA	—
A	—
BBB	—
BB	—
B	—
Below B	—
NR	—

Regional Exposure	Stocks %	Rel Std Index
Americas	8.9	0.96
Greater Europe	12.5	0.28
Greater Asia	78.6	1.69

Top Holdings 07-16-2020

Share Chg since 07-2020	Share Amount	Holdings : 2,460 Total Stocks , 0 Total Fixed-Income, 15% Turnover Ratio	Net Assets %
	14 mil	Alibaba Group Holding Ltd ADR	6.66
	43 mil	Tencent Holdings Ltd	5.80
	185 mil	Taiwan Semiconductor Manufacturing	4.49
	36 mil	Samsung Electronics Co Ltd	3.03
	27 mil	Meituan Dianping	1.29
	3 mil	Naspers Ltd Class N	1.22
	21 mil	Reliance Industries Ltd	1.10
	714 mil	China Construction Bank Corp Class	1.03
	44 mil	Ping An Insurance (Group) Co. of C	0.91
⊖	445 mil	BlackRock Cash Funds Treasury SL A	0.84
	6 mil	JD.com Inc ADR	0.73
	28 mil	VALE SA	0.59
	46 mil	China Mobile Ltd	0.59
	26 mil	Infosys Ltd	0.58
	12 mil	Housing Development Finance Corp L	0.58

Sector Weightings	Stocks %	Rel Std Index
Cyclical	43.7	1.11
Basic Materials	7.4	0.98
Consumer Cyclical	15.5	1.43
Financial Services	17.7	0.98
Real Estate	3.2	1.12
Sensitive	42.1	1.16
Communication Services	13.5	1.56
Energy	5.5	1.10
Industrials	5.2	0.47
Technology	17.8	1.58
Defensive	14.2	0.58
Consumer Defensive	6.8	0.67
Healthcare	5.0	0.46
Utilities	2.4	0.69

Baird Aggregate Bond Inst (USD)

Morningstar Analyst Rating™
Gold
 02-19-2020

Overall Morningstar Rating™
 ★★★★★
 379 US Fund Intermediate
 Core Bond

Standard Index
 BBgBarc US Agg
 Bond TR USD

Category Index
 BBgBarc US Agg
 Bond TR USD

Morningstar Cat
 US Fund Intermediate
 Core Bond

Performance 06-30-2020

Quarterly Returns	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	Total %
2018	-1.52	-0.24	0.07	1.41	-0.30
2019	3.32	3.16	2.41	0.30	9.48
2020	1.50	4.79	—	—	6.36

Trailing Returns	1 Yr	3 Yr	5 Yr	10 Yr	Incept
Load-adj Mthly	9.25	5.60	4.69	4.68	5.53
Std 06-30-2020	9.25	—	4.69	4.68	5.53
Total Return	9.25	5.60	4.69	4.68	5.53

+/- Std Index	0.51	0.28	0.39	0.85	—
+/- Cat Index	0.51	0.28	0.39	0.85	—

% Rank Cat	15	11	9	4	—
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No. in Cat	420	379	330	248	—
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7-day Yield	Subsidized	Unsubsidized
30-day SEC Yield 06-30-20	1.71	0.00

Performance Disclosure

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Fees and Expenses

Sales Charges

Front-End Load %	NA
Deferred Load %	NA

Fund Expenses

Management Fees %	0.25
12b1 Expense %	NA
Net Expense Ratio %	0.30
Gross Expense Ratio %	0.30

Risk and Return Profile

	3 Yr	5 Yr	10 Yr
Morningstar Rating™	4★	5★	5★
Morningstar Risk	+Avg	+Avg	+Avg
Morningstar Return	+Avg	High	High

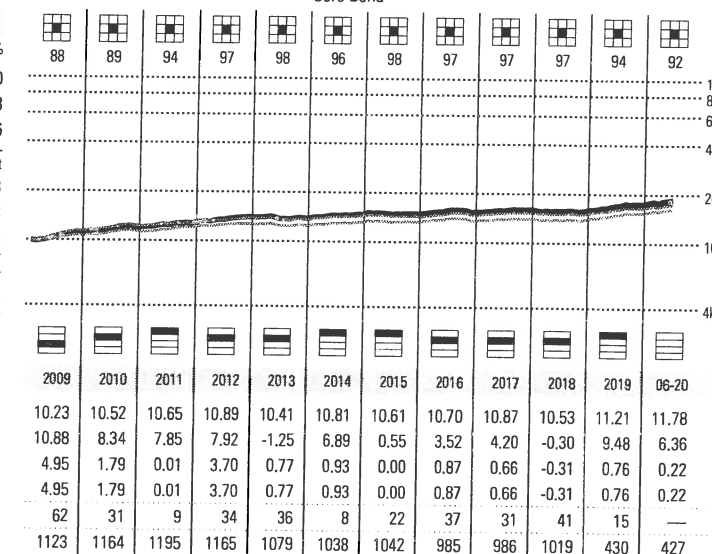
	3 Yr	5 Yr	10 Yr
Standard Deviation	3.70	3.35	3.14
Mean	5.60	4.69	4.68
Sharpe Ratio	1.04	1.04	1.28

MPT Statistics	Standard Index	Best Fit Index BBgBarc US Universal TR USD
Alpha	0.00	0.03
Beta	1.08	1.12
R-Squared	90.95	98.36

	12-Month Yield	Potential Cap Gains Exp
	2.53%	3.47%

Operations

Family:	Baird
Manager:	Multiple
Tenure:	19.8 Years
Objective:	Income
Base Currency:	USD



Portfolio Analysis 06-30-2020

Asset Allocation %	Net %	Long %	Short %	Share Chg since 03-2020	Share Amount	Holdings : 0 Total Stocks, 1,575 Total Fixed-Income, 31% Turnover Ratio	Net Assets %
Cash	4.90	4.90	0.00	—	—	—	—
US Stocks	0.00	0.00	0.00	—	—	—	—
Non-US Stocks	0.00	0.00	0.00	—	—	—	—
Bonds	92.19	92.19	0.00	—	—	—	—
Other/Not Clsfd	2.90	2.90	0.00	—	—	—	—
Total	100.00	100.00	0.00	—	—	—	—

Equity Style	Portfolio Statistics	Port Avg	Rel Index	Rel Cat
Value Blend Growth	P/E Ratio TTM	—	—	—
Large Mid Small	P/C Ratio TTM	—	—	—
	P/B Ratio TTM	—	—	—
	Geo Avg Mkt Cap \$mil	—	—	—

Fixed-Income Style	Portfolio Statistics	Port Avg	Rel Index	Rel Cat
Ltd Mod Ext	Avg Eff Maturity	—	7.81	—
	Avg Eff Duration	—	6.04	—
	Avg Wtd Coupon	—	3.49	—
	Avg Wtd Price	—	110.55	—

Credit Quality Breakdown 06-30-2020

	Bond %
AAA	53.90
AA	4.40
A	17.70
BBB	22.90
BB	1.10
B	0.00
Below B	0.00
NR	0.00

Regional Exposure

	Stocks %	Rel Std Index
Americas	—	—
Greater Europe	—	—
Greater Asia	—	—

Sector Weightings

	Stocks %	Rel Std Index
Cyclical	—	—
Basic Materials	—	—
Consumer Cyclical	—	—
Financial Services	—	—
Real Estate	—	—
Sensitive	—	—
Communication Services	—	—
Energy	—	—
Industrials	—	—
Technology	—	—
Defensive	—	—
Consumer Defensive	—	—
Healthcare	—	—
Utilities	—	—

Purchase Constraints:

Incept:	09-29-2000
Type:	MF
Total Assets:	\$27,933.51 mil

Metropolitan West Total Return Bd I (USD)

Performance 06-30-2020

Quarterly Returns	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	Total %
2018	-1.30	-0.09	0.04	1.53	0.16
2019	3.20	3.20	2.24	0.19	9.09
2020	2.32	4.07	—	—	6.48
Trailing Returns	1 Yr	3 Yr	5 Yr	10 Yr	Incept
Load-adj Mthly	9.07	5.59	4.33	4.87	6.12
Std 06-30-2020	9.07	—	4.33	4.87	6.12
Total Return	9.07	5.59	4.33	4.87	6.12
+/- Std Index	0.33	0.27	0.02	1.05	—
+/- Cat Index	1.19	0.44	-0.09	0.76	—
% Rank Cat	11	10	34	13	—
No. in Cat	601	534	455	333	—

7-day Yield 07-24-20	Subsidized	Unsubsidized
30-day SEC Yield 06-30-20	1.38	2.89

Performance Disclosure

The Overall Morningstar Rating is based on risk-adjusted returns, derived from a weighted average of the three-, five-, and 10-year (if applicable) Morningstar metrics.

The performance data quoted represents past performance and does not guarantee future results. The investment return and principal value of an investment will fluctuate; thus an investor's shares, when sold or redeemed, may be worth more or less than their original cost.

Current performance may be lower or higher than return data quoted herein. For performance data current to the most recent month-end, please call 800-241-4671 or visit www.mwamlc.com.

Fees and Expenses

Sales Charges

Front-End Load %

NA

Deferred Load %

NA

Fund Expenses

Management Fees %

0.35

12b1 Expense %

NA

Net Expense Ratio %

0.44

Gross Expense Ratio %

0.44

Risk and Return Profile

	3 Yr	5 Yr	10 Yr
Morningstar Rating™	5★	4★	4★
Morningstar Risk	-Avg	Low	-Avg
Morningstar Return	High	Avg	+Avg
Standard Deviation	3.44	3.07	2.96
Mean	5.59	4.33	4.87
Sharpe Ratio	1.12	1.03	1.42
MPT Statistics	Standard Index	Best Fit Index	BBgBarc US Agg Bond TR USD
Alpha	0.14	0.14	0.14
Beta	1.04	1.04	1.04
R-Squared	96.72	96.72	96.72
12-Month Yield	2.22%	0.85%	0.85%
Potential Cap Gains Exp			

Morningstar Analyst Rating™

Silver
12-04-2019

Overall Morningstar Rating™

★★★★
534 US Fund Intermediate
Core-Plus Bond

Standard Index

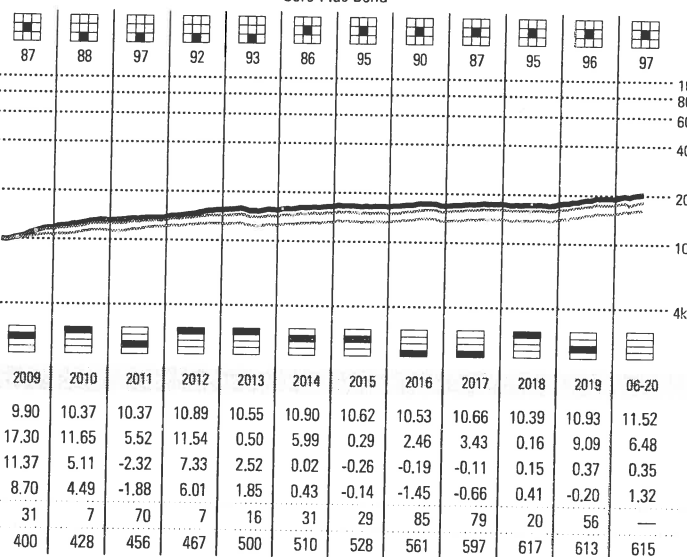
BBgBarc US Agg
Bond TR USD

Category Index

BBgBarc US
Universal TR USD

Morningstar Cat

US Fund Intermediate
Core-Plus Bond



Investment Style

Fixed-Income
Bond %

Growth of \$10,000

Metropolitan West Total Return Bd I 20,303
Category Average 18,191
Standard Index 16,240

Performance Quantile (within category)

History

NAV/Price
Total Return %
+/- Standard Index
+/- Category Index
% Rank Cat
No. of Funds in Cat

Portfolio Analysis 06-30-2020

Asset Allocation %			Net %	Long %	Short %	Share Chg since 05-2020	Share Amount	Holdings :	Net Assets %
Cash			2.96	2.98	0.01			1 Total Stocks , 1,992 Total Fixed-Income, 405% Turnover Ratio	
US Stocks			0.00	0.00	0.00				
Non-US Stocks			0.00	0.00	0.00	⊕	3,521 mil	Federal National Mortgage Associat	4.31
Bonds			96.54	96.54	0.00	⊕	3,663 mil	United States Treasury Notes 0.25%	4.29
Other/Not Clsfd			0.50	0.50	0.00	⊗	2,405 mil	United States Treasury Notes 0.25%	2.82
Total			100.00	100.01	0.01	⊗	1,669 mil	Federal National Mortgage Associat	2.05
						⊕	1,533 mil	United States Treasury Bonds 1.25%	1.73
Equity Style			Portfolio Statistics			Port Avg	Rel Index	Rel Cat	
Value	Blend	Growth	P/E Ratio TTM	—	—	⊗	1,297 mil	Federal National Mortgage Associat	1.60
			P/C Ratio TTM	—	—	⊕	1,099 mil	United States Treasury Bonds 0.25%	1.45
			P/B Ratio TTM	—	—	⊗	1,112 mil	Federal National Mortgage Associat	1.36
			Geo Avg Mkt Cap \$mil	—	—		1,050 mil	United States Treasury Bills 0%	1.23
						⊖	946 mil	United States Treasury Notes 0.25%	1.21
						⊖	760 mil	United States Treasury Bonds 2%	1.02
						⊕	762 mil	United States Treasury Notes 0.12%	0.94
						⊖	616 mil	Federal Home Loan Mortgage Corpora	0.78
						⊕	659 mil	United States Treasury Notes 0.62%	0.77
						⊗	608 mil	Government National Mortgage Assoc	0.75

Credit Quality Breakdown 06-30-2020

	Bond %
AAA	62.72
AA	3.69
A	8.35
BBB	18.63
BB	2.93
B	0.99
Below B	2.69
NR	0.00

Regional Exposure

	Stocks %	Rel Std Index
Americas	—	—
Greater Europe	—	—
Greater Asia	—	—

Sector Weightings

	Stocks %	Rel Std Index
Cyclical	—	—
Basic Materials	—	—
Consumer Cyclical	—	—
Financial Services	—	—
Real Estate	—	—
Sensitive	—	—
Communication Services	—	—
Energy	—	—
Industrials	—	—
Technology	—	—
Defensive	—	—
Consumer Defensive	—	—
Healthcare	—	—
Utilities	—	—

Operations

Family: Metropolitan West Funds
Manager: Multiple
Tenure: 23.3 Years
Objective: Corporate Bond - General

Base Currency: USD
Ticker: MWTIX
ISIN: US5929055094
Minimum Initial Purchase: \$3 mil

Purchase Constraints: —
Incept: 03-31-2000
Type: MF
Total Assets: \$87,314.11 mil

TIAA-CREF Core Bond Instl (USD)

Morningstar Analyst Rating™
Silver
02-24-2020

Overall Morningstar Rating™
★★★
534 US Fund Intermediate
Core-Plus Bond

Standard Index
BBgBarc US Agg
Bond TR USD

Category Index
BBgBarc US
Universal TR USD

Morningstar Cat
US Fund Intermediate
Core-Plus Bond

Performance 06-30-2020

Quarterly Returns	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	Total %
2018	-1.28	-0.29	0.07	1.13	-0.38
2019	3.44	3.12	2.28	0.23	9.35
2020	-0.91	5.65	—	—	4.69

Trailing Returns	1 Yr	3 Yr	5 Yr	10 Yr	Incept
Load-adj Mthly	7.33	4.98	4.52	4.30	5.23
Std 06-30-2020	7.33	—	4.52	4.30	5.23
Total Return	7.33	4.98	4.52	4.30	5.23

+/- Std Index	-1.41	-0.34	0.21	0.48	—
+/- Cat Index	-0.56	-0.17	0.09	0.19	—

% Rank Cat	50	38	22	42	—
No. in Cat	601	534	455	333	—

7-day Yield	Subsidized	Unsubsidized
30-day SEC Yield 07-23-20	1.86	3.16

Performance Disclosure

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Fees and Expenses

Sales Charges

Front-End Load %

NA

Deferred Load %

NA

Fund Expenses

Management Fees %

0.28

12b1 Expense %

NA

Net Expense Ratio %

0.30

Gross Expense Ratio %

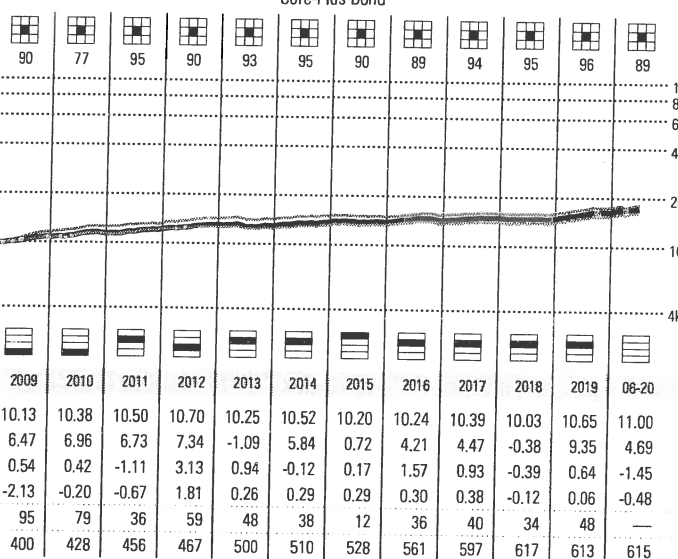
0.30

Risk and Return Profile

	3 Yr	5 Yr	10 Yr
Morningstar Rating™	3★	4★	3★
Morningstar Risk	Avg	Avg	Avg
Morningstar Return	Avg	+Avg	Avg
Standard Deviation	4.20	3.69	3.32
Mean	4.98	4.52	4.30
Sharpe Ratio	0.78	0.91	1.11

MPT Statistics	Standard Index	Best Fit Index
Alpha	-0.52	0.29
Beta	1.07	0.67
R-Squared	68.53	95.03

12-Month Yield	2.64%
Potential Cap Gains Exp	1.06%



Portfolio Analysis 05-31-2020

Asset Allocation %	Net %	Long %	Short %	Share Chg since 04-2020	Share Amount	Holdings :	Net Assets %
Cash	9.96	9.96	0.00			1 Total Stocks, 1,749 Total Fixed-Income, 133% Turnover Ratio	
US Stocks	0.00	0.00	0.00				
Non-US Stocks	0.00	0.00	0.00	★	137 mil	Federal National Mortgage Associat	2.07
Bonds	94.46	94.46	0.00		60 mil	United States Treasury Bonds 3.5%	1.22
Other/Not Clsfd	-4.42	1.62	6.03	★	75 mil	Federal National Mortgage Associat	1.12
Total	100.00	106.03	6.03		55 mil	United States Treasury Bonds 3%	1.09
					47 mil	United States Treasury Bonds 3.38%	0.99
					64 mil	Federal National Mortgage Associat	0.98
					68 mil	United States Treasury Notes 0.25%	0.97
					51 mil	United States Treasury Bonds 2.75%	0.96
					50 mil	Federal National Mortgage Associat	0.76
					46 mil	Federal Home Loan Banks 4%	0.73
					41 mil	Federal National Mortgage Associat	0.63
					31 mil	Federal Home Loan Mortgage Corpora	0.48
					32 mil	Citigroup Inc. 2.67%	0.47
					30 mil	Chase Issuance Trust 1.53%	0.44
					27 mil	Federal National Mortgage Associat	0.42

Equity Style	Value	Blend	Growth
	Large	Mid	Small

Portfolio Statistics	Port Avg	Rel Index	Rel Cat
P/E Ratio TTM	—	—	—
P/C Ratio TTM	0.7	—	—
P/B Ratio TTM	0.1	—	—
Geo Avg Mkt Cap \$mil	308	—	—

Fixed-Income Style	Ltd	Med	Ext
	High	Mid	Low

Fixed-Income Style	Avg Eff Maturity	Avg Eff Duration	Avg Wtd Coupon	Avg Wtd Price
	7.66	5.57	3.45	106.95

Credit Quality Breakdown 03-31-2020

	Bond %
AAA	43.19
AA	8.53
A	16.92
BBB	25.04
BB	2.51
B	1.83
Below B	0.43
NR	1.55

Regional Exposure

	Stocks %	Rel Std Index
Americas	100.0	—
Greater Europe	0.0	—
Greater Asia	0.0	—

Sector Weightings

	Stocks %	Rel Std Index
Cyclical	0.0	—
Basic Materials	0.0	—
Consumer Cyclical	0.0	—
Financial Services	0.0	—
Real Estate	0.0	—
Sensitive	100.0	—
Communication Services	0.0	—
Energy	100.0	—
Industrials	0.0	—
Technology	0.0	—
Defensive	0.0	—
Consumer Defensive	0.0	—
Healthcare	0.0	—
Utilities	0.0	—

Operations

Family: TIAA Investments
Manager: Multiple
Tenure: 16.6 Years
Objective: Income

Base Currency: USD
Ticker: TIBDX
ISIN: US87244W6075
Minimum Initial Purchase: \$2 mil

Purchase Constraints: —
Incept: 07-01-1999
Type: MF
Total Assets: \$7,329.87 mil

**BrandywineGLOBAL Global
Opp Bond I (USD)****Morningstar Analyst Rating™**
Silver
10-18-2019**Overall Morningstar Rating™**
★★★★
187 US Fund World Bond**Standard Index**
BBgBarc US Agg
Bond TR USD**Category Index**
BBgBarc Global
Aggregate TR USD**Morningstar Cat**
US Fund World Bond**Performance 06-30-2020**

Quarterly Returns	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	Total %
2018	3.94	-6.79	-0.88	-1.07	-4.99
2019	2.93	3.59	-1.79	4.22	9.14
2020	-11.36	10.76	—	—	-1.83

Trailing Returns	1 Yr	3 Yr	5 Yr	10 Yr	Incept
Load-adj Mthly	0.48	1.44	2.72	4.06	5.92
Std 06-30-2020	0.48	—	2.72	4.06	5.92
Total Return	0.48	1.44	2.72	4.06	5.92

+/- Std Index	-8.26	-3.88	-1.58	0.24	—
+/- Cat Index	-3.75	-2.35	-0.84	1.25	—

% Rank Cat	65	70	49	6	—
No. in Cat	210	187	171	114	—

7-day Yield 07-24-20	Subsidized	Unsubsidized
30-day SEC Yield 06-30-20	0.00	2.95

Performance Disclosure

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Current performance may be lower or higher than return data quoted herein. For performance data current to the most recent month-end, please call 877-721-1926 or visit www.leggmason.com.

Fees and Expenses**Sales Charges****Front-End Load %**

NA

Deferred Load %

NA

Fund Expenses

Management Fees %	0.50
12b1 Expense %	NA

Net Expense Ratio %

0.68

Gross Expense Ratio %

0.68

Risk and Return Profile

	3 Yr	5 Yr	10 Yr
Morningstar Rating™	187 funds	171 funds	114 funds
Morningstar Risk	2★	3★	5★
Morningstar Return	High	High	+Avg
	-Avg	Avg	High

	3 Yr	5 Yr	10 Yr
Standard Deviation	9.45	8.99	7.88
Mean	1.44	2.72	4.06
Sharpe Ratio	0.02	0.21	0.47

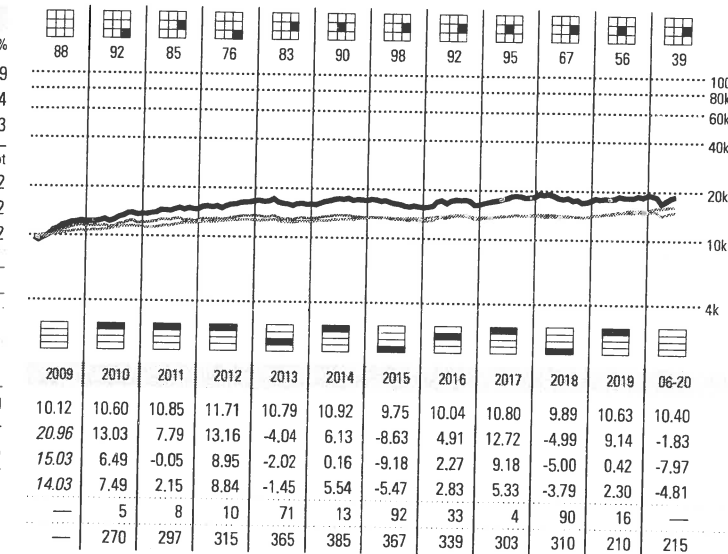
MPT Statistics	Standard Index	Best Fit Index
	JPM GBI-EM Global	Diversified TR USD

Alpha	-2.36	0.06
Beta	0.72	0.73
R-Squared	6.05	85.52

12-Month Yield	0.63%
Potential Cap Gains Exp	-6.81%

Operations

Family:	Legg Mason
Manager:	Multiple
Tenure:	13.7 Years
Objective:	Worldwide Bond
Base Currency:	USD

**Portfolio Analysis 06-30-2020****Asset Allocation %**

	Net %	Long %	Short %
Cash	4.93	135.18	130.25
US Stocks	0.70	0.70	0.00
Non-US Stocks	0.00	0.00	0.00
Bonds	89.83	89.83	0.00
Other/Not Clsfd	4.54	4.54	0.00
Total	100.00	230.25	130.25

Equity Style

Valu	Blnd	Growth
Large	Mid	Small
—	—	—

Portfolio Statistics

	Port Avg	Rel Index	Rel Cat
P/E Ratio TTM	—	—	—
P/C Ratio TTM	—	—	—
P/B Ratio TTM	—	—	—
Geo Avg Mkt Cap \$mil	—	—	—

Fixed-Income Style

Ltd	Mod	Ext
High	Mid	Low
—	—	—

Avg Eff Maturity	14.29
Avg Eff Duration	8.36
Avg Wtd Coupon	4.55
Avg Wtd Price	—

Credit Quality Breakdown 06-30-2020

	Bond %
AAA	19.54
AA	5.50
A	26.60
BBB	34.30
BB	13.34
B	0.74
Below B	0.00
NR	-0.02

Regional Exposure

	Stocks %	Rel Std Index
Americas	—	—
Greater Europe	—	—
Greater Asia	—	—

Share Chg since 03-2020	Share Amount	Holdings : 0 Total Stocks, 225 Total Fixed-Income, 103% Turnover Ratio	Net Assets %
★	229 mil	United States Treasury Notes 0.26%	10.69
—	102 mil	JPMorgan US Government MMkt Instl	4.77
—	1,451 mil	Mexico (United Mexican States) 7.7	3.22
—	1,157 mil	Mexico (United Mexican States) 8.5%	2.79
—	208,000 mil	Republic of Colombia 6%	2.63
—	1,093 mil	Mexico (United Mexican States) 8.5%	2.63
—	722,700 mil	Indonesia (Republic of) 9%	2.62
—	55 mil	Goldman Sachs Group, Inc. 1.11%	2.54
—	42 mil	Bank of America Corporation 4.08%	2.49
—	52 mil	Ford Motor Credit Company LLC 2.18%	2.34
—	65 mil	Australia (Commonwealth of) 5.75%	2.33
★	43 mil	Spain (Kingdom of) 1%	2.10
—	42 mil	Bank of Montreal 0.76%	1.93
—	186 mil	Brazil (Federative Republic) 10%	1.81
—	829 mil	Republic of South Africa 8.75%	1.76

Sector Weightings

	Stocks %	Rel Std Index
Cyclical	—	—
Basic Materials	—	—
Consumer Cyclical	—	—
Financial Services	—	—
Real Estate	—	—
Sensitive	—	—
Communication Services	—	—
Energy	—	—
Industrials	—	—
Technology	—	—
Defensive	—	—
Consumer Defensive	—	—
Healthcare	—	—
Utilities	—	—

PIMCO Income Instl (USD)

Morningstar Analyst Rating™

★★★★★
Gold
05-20-2020

Overall Morningstar Rating™

★★★★★
283 US Fund Multisector
Bond

Standard Index

BBgBarc US Agg
Bond TR USD

Category Index

BBgBarc US
Universal TR USD

Morningstar Cat

US Fund Multisector
Bond

Performance 06-30-2020

Quarterly Returns	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	Total %
2018	-0.27	-0.44	0.56	0.74	0.58
2019	3.03	2.40	-0.11	2.53	8.05
2020	-7.66	6.48	—	—	-1.68
Trailing Returns	1 Yr	3 Yr	5 Yr	10 Yr	Incept
Load-adj Mthly	0.69	3.32	4.69	7.51	7.78
Std 06-30-2020	0.69	—	4.69	7.51	7.78
Total Return	0.69	3.32	4.69	7.51	7.78
+/- Std Index	-8.05	-2.01	0.39	3.69	—
+/- Cat Index	-7.19	-1.84	0.27	3.40	—
% Rank Cat	56	34	6	1	—
No. in Cat	321	283	235	128	—

7-day Yield	Subsidized	Unsubsidized
30-day SEC Yield 06-30-20	2.98	2.98

Performance Disclosure

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Fees and Expenses

Sales Charges

Front-End Load %

NA

Deferred Load %

NA

Fund Expenses

Management Fees %

0.50

12b1 Expense %

NA

Net Expense Ratio %

1.05

Gross Expense Ratio %

1.05

Risk and Return Profile

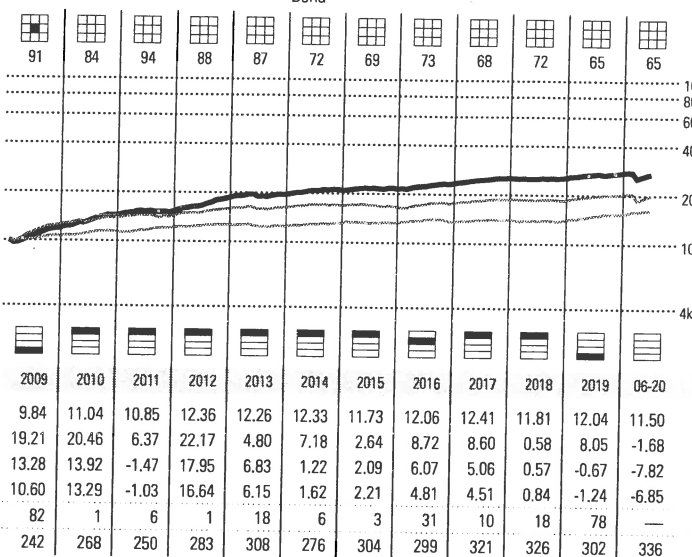
	3 Yr	5 Yr	10 Yr
Morningstar Rating™	4★	5★	5★
Morningstar Risk	-Avg	-Avg	-Avg
Morningstar Return	Avg	High	High

	3 Yr	5 Yr	10 Yr
Standard Deviation	5.52	4.54	4.35
Mean	3.32	4.69	7.51
Sharpe Ratio	0.32	0.78	1.54

MPT Statistics	Standard Index	Best Fit Index
		JPM EMBI Global Diversified TR USD

Alpha	0.25	0.55
Beta	0.42	0.49
R-Squared	6.13	86.49

12-Month Yield	6.09%
Potential Cap Gains Exp	-10.10%



Investment Style

Fixed-Income
Bond %

Growth of \$10,000

— PIMCO Income Instl
27,140
— Category Average
19,879
— Standard Index
16,240

Performance Quintile (within category)

History

NAV/Price
Total Return %
+/- Standard Index
+/- Category Index
% Rank Cat
No. of Funds in Cat

Portfolio Analysis 03-31-2020

Asset Allocation %	Net %	Long %	Short %	Share Chg since 12-2019	Share Amount	Holdings : 15 Total Stocks, 6,877 Total Fixed-Income, 421% Turnover Ratio	Net Assets %
Cash	-26.23	115.55	141.78				
US Stocks	0.40	0.40	0.00	★	11,200 mil	Federal National Mortgage Associat	10.28
Non-US Stocks	0.18	0.18	0.00	★	6,458 mil	Federal National Mortgage Associat	5.84
Bonds	120.68	225.58	104.91	★	5,224 mil	Federal National Mortgage Associat	-4.88
Other/Not Clsfd	4.97	4.97	0.00	★	3,908 mil	Federal National Mortgage Associat	-3.65
Total	100.00	346.68	246.68	★	3,790 mil	Federal National Mortgage Associat	3.43
Equity Style	Portfolio Statistics	Port Avg	Rel Index	Rel Cat			
P/E Ratio TTM	—	—	—	—	3,818 mil	CSMC TRUST 3.36%	2.98
P/C Ratio TTM	—	—	—	—	2,042 mil	CSMC TRUST 4.29%	1.74
P/B Ratio TTM	—	—	—	—	2,160 mil	CSMC TRUST 3.43%	1.70
Geo Avg Mkt Cap \$mil	3202	—	0.05	★	1,782 mil	Federal National Mortgage Associat	1.63
				+	1,589 mil	United States Treasury Notes 0.25%	1.45
				—	1,358 mil	Federal National Mortgage Associat	1.28
				—	1,524 mil	CSMC TRUST 3.66%	1.28
				—	1,601 mil	CSMC TRUST 2017 3.17%	1.20
				★	1,111 mil	CHESTER A PLC 1.31%	1.20
				—	1,391 mil	LEGACY MORTGAGE ASSET TRUST 4.2%	1.19

Credit Quality Breakdown —

	Bond %
AAA	—
AA	—
A	—
BBB	—
BB	—
B	—
Below B	—
NR	—

Regional Exposure

	Stocks %	Rel Std Index
Americas	69.8	—
Greater Europe	30.2	—
Greater Asia	0.0	—

Sector Weightings

	Stocks %	Rel Std Index
Cyclical	89.4	—
Basic Materials	0.0	—
Consumer Cyclical	15.2	—
Financial Services	38.0	—
Real Estate	36.2	—
Sensitive	10.1	—
Communication Services	10.1	—
Energy	0.0	—
Industrials	0.0	—
Technology	0.0	—
Defensive	0.5	—
Consumer Defensive	0.0	—
Healthcare	0.0	—
Utilities	0.5	—

Operations

Family: PIMCO
Manager: Multiple
Tenure: 13.3 Years
Objective: Multisector Bond

Base Currency: USD
Ticker: PIMIX
ISIN: US72201F4900
Minimum Initial Purchase: \$1 mil

Purchase Constraints: A
Incept: 03-30-2007
Type: MF
Total Assets: \$120,413.71 mil

FPA Crescent (USD)

Morningstar Analyst Rating™

★ Gold
04-06-2020

Overall Morningstar Rating™

★★
636 US Fund Allocation~50%
to 70% Equity

Standard Index

Morningstar Mod
Tgt Risk TR USD

Category Index

Morningstar Mod
Tgt Risk TR USD

Morningstar Cat

US Fund Allocation~
50% to 70% Equity

Performance 06-30-2020

Quarterly Returns	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	Total %
2018	-0.98	0.32	4.15	-10.52	-7.43
2019	10.80	3.33	-0.81	5.69	20.02
2020	-20.51	15.00	—	—	-8.59
Trailing Returns	1 Yr	3 Yr	5 Yr	10 Yr	Incept
Load-adj Mthly	-4.18	2.12	3.90	7.41	9.44
Std 06-30-2020	-4.18	—	3.90	7.41	9.44
Total Return	-4.18	2.12	3.90	7.41	9.44
+/- Std Index	-7.88	-3.77	-2.10	-0.36	—
+/- Cat Index	-7.88	-3.77	-2.10	-0.36	—
% Rank Cat	89	86	79	66	—
No. in Cat	684	636	558	412	—

7-day Yield	Subsidized	Unsubsidized
30-day SEC Yield	—	—

Performance Disclosure

The Overall Morningstar Rating is based on risk-adjusted returns, derived from a weighted average of the three-, five-, and 10-year (if applicable) Morningstar metrics.

The performance data quoted represents past performance and does not guarantee future results. The investment return and principal value of an investment will fluctuate; thus an investor's shares, when sold or redeemed, may be worth more or less than their original cost.

Current performance may be lower or higher than return data quoted herein. For performance data current to the most recent month-end, please call 800-982-4372 or visit www.fpfunds.com.

Fees and Expenses

Sales Charges

Front-End Load %

NA

Deferred Load %

NA

Fund Expenses

Management Fees %

1.00

12b1 Expense %

NA

Net Expense Ratio %

1.05

Gross Expense Ratio %

1.07

Risk and Return Profile

	3 Yr	5 Yr	10 Yr
Morningstar Rating™	636 funds 2★	558 funds 2★	412 funds 2★
Morningstar Risk	High	High	High
Morningstar Return	-Avg	-Avg	Avg

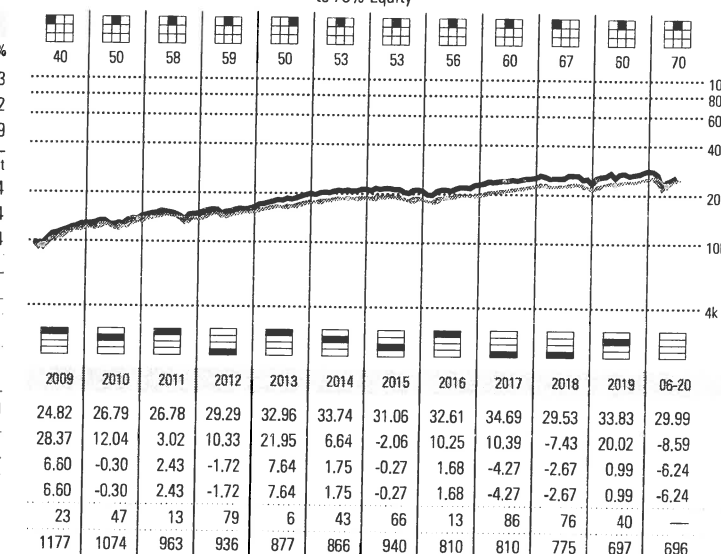
	3 Yr	5 Yr	10 Yr
Standard Deviation	14.95	12.63	10.54
Mean	2.12	3.90	7.41
Sharpe Ratio	0.10	0.28	0.67

MPT Statistics	Standard Index	Best Fit Index
		Lifetime Mod 2055
		TR USD
Alpha	-4.82	-2.43
Beta	1.40	0.91
R-Squared	90.61	92.37

12-Month Yield	—
Potential Cap Gains Exp	20.25%

Operations

Family:	FPA
Manager:	Multiple
Tenure:	27.1 Years
Objective:	Growth
Base Currency:	USD



Portfolio Analysis 06-30-2020

Asset Allocation %

	Net %	Long %	Short %
Cash	19.56	19.56	0.00
US Stocks	47.94	49.26	1.32
Non-US Stocks	21.89	22.74	0.84
Bonds	7.84	8.86	1.02
Other/Not Clsfd	2.77	2.77	0.00
Total	100.00	103.19	3.19

Equity Style

Value	Blend	Growth
Large	Mid	Small
Value	Blend	Growth
Large	Mid	Small

Portfolio Statistics

	Port Avg	Rel Index	Rel Cat
P/E Ratio TTM	15.6	0.89	0.78
P/C Ratio TTM	9.8	0.96	0.80
P/B Ratio TTM	1.2	0.65	0.51
Geo Avg Mkt Cap \$mil	45649	1.24	0.59

Fixed-Income Style

Ltd	Mod	Ext
High	Med	Low
Ltd	Mod	Ext
High	Med	Low

Avg Eff Maturity

Avg Eff Duration	—
Avg Wtd Coupon	—
Avg Wtd Price	—

Credit Quality Breakdown —

	Bond %
AAA	—
AA	—
A	—
BBB	—
BB	—
B	—
Below B	—
NR	—

Regional Exposure

	Stocks %	Rel Std Index
Americas	68.1	1.11
Greater Europe	19.8	1.10
Greater Asia	12.1	0.58

Share Chg since 03-2020	Share Amount	Holdings : 118 Total Stocks , 63 Total Fixed-Income, 23% Turnover Ratio	Net Assets %
—	8 mil	Comcast Corp Class A	3.30
—	978,635	Broadcom Inc	3.09
—	10 mil	American International Group Inc	3.05
—	201,028	Alphabet Inc A	2.85
—	2 mil	Analog Devices Inc	2.85
—	1 mil	Facebook Inc A	2.58
—	6 mil	LafargeHolcim Ltd	2.54
—	176,922	Alphabet Inc Class C	2.50
—	486,346	Charter Communications Inc A	2.48
—	3 mil	TE Connectivity Ltd	2.45
—	3 mil	Groupe Bruxelles Lambert SA	2.37
—	15 mil	Jefferies Financial Group Inc	2.35
—	1 mil	Naspers Ltd Class N	2.12
—	4 mil	Citigroup Inc	2.06
—	944,218	Microsoft Corp	1.92

Sector Weightings

	Stocks %	Rel Std Index
Cyclical	38.8	1.06
Basic Materials	8.9	1.89
Consumer Cyclical	6.9	0.70
Financial Services	23.0	1.54
Real Estate	0.0	0.00
Sensitive	59.2	1.58
Communication Services	28.9	3.95
Energy	2.3	0.57
Industrials	9.0	0.81
Technology	19.0	1.27
Defensive	2.0	0.08
Consumer Defensive	0.0	0.00
Healthcare	1.6	0.12
Utilities	0.4	0.12

Purchase Constraints:

Incept:	06-02-1993
Type:	MF
Total Assets:	\$10,007.32 mil

Salient Tactical Growth Inst (USD)

Performance 06-30-2020

Quarterly Returns	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	Total %
2018	-1.28	0.48	3.09	-6.87	-4.76
2019	3.93	1.70	-0.97	5.75	10.69
2020	-0.41	1.80	—	—	1.38
Trailing Returns	1 Yr	3 Yr	5 Yr	10 Yr	Incept
Load-adj Mthly	6.17	4.32	4.24	4.05	3.88
Std 06-30-2020	6.17	—	4.24	4.05	3.88
Total Return	6.17	4.32	4.24	4.05	3.88
+/- Std Index	-1.34	-6.41	-6.49	-9.94	—
+/- Cat Index	-1.34	-6.41	-6.49	-9.94	—
% Rank Cat	19	32	28	57	—
No. in Cat	214	183	141	39	—

7-day Yield	Subsidized	Unsubsidized
30-day SEC Yield	—	—

Performance Disclosure

The Overall Morningstar Rating is based on risk-adjusted returns, derived from a weighted average of the three-, five-, and 10-year (if applicable) Morningstar metrics.

The performance data quoted represents past performance and does not guarantee future results. The investment return and principal value of an investment will fluctuate; thus an investor's shares, when sold or redeemed, may be worth more or less than their original cost.

Current performance may be lower or higher than return data quoted herein. For performance data current to the most recent month-end, please call 800-999-6809 or visit www.forwardinvesting.com.

Fees and Expenses

Sales Charges

Front-End Load %	NA
Deferred Load %	NA

Fund Expenses

Management Fees %	1.15
12b1 Expense %	NA
Net Expense Ratio %	1.51
Gross Expense Ratio %	1.51

Risk and Return Profile

	3 Yr	5 Yr	10 Yr
Morningstar Rating™	4★	4★	3★
Morningstar Risk	Low	Low	Low
Morningstar Return	+Avg	+Avg	Avg
	3 Yr	5 Yr	10 Yr
Standard Deviation	6.11	6.17	6.32
Mean	4.32	4.24	4.05
Sharpe Ratio	0.45	0.51	0.56

MPT Statistics

	Standard Index	Best Fit Index
Alpha	0.40	-2.22
Beta	0.24	0.22
R-Squared	42.04	48.64
12-Month Yield	—	—
Potential Cap Gains Exp	—	5.95%

Operations

Family:	Salient Funds	Base Currency:	USD	Purchase Constraints:	—
Manager:	Christopher Guptill	Ticker:	FTGWX	Incept:	09-14-2009
Tenure:	10.8 Years	ISIN:	US34986P4081	Type:	MF
Objective:	Growth	Minimum Initial Purchase:	\$100,000	Total Assets:	\$307.06 mil

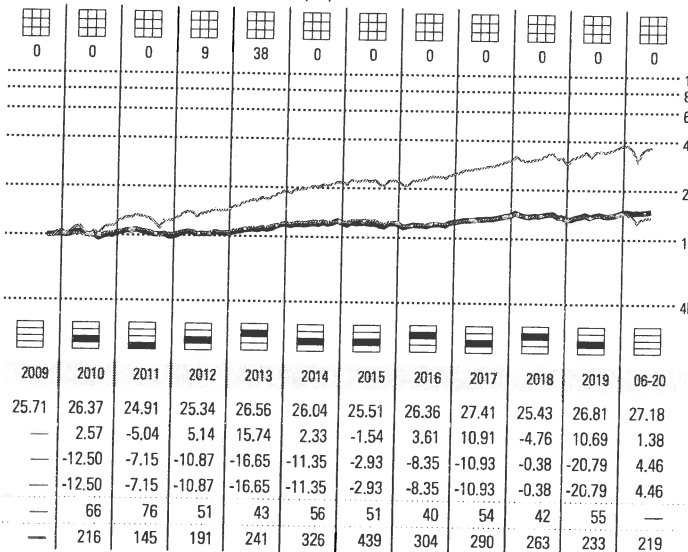
Morningstar Quantitative Rating™
Neutral^a
06-30-2020

Overall Morningstar Rating™
★★★★
183 US Fund Long-Short Equity

Standard Index
S&P 500 TR USD

Category Index
S&P 500 TR USD

Morningstar Cat
US Fund Long-Short Equity



Investment Style
Fixed-Income
Bond %

Growth of \$10,000

Salient Tactical Growth Inst	14,827
Category Average	13,605
Standard Index	36,654

Performance Quartile
(within category)

History

NAV/Price	—
Total Return %	—
+/- Standard Index	—
+/- Category Index	—
% Rank Cat	—
No. of Funds in Cat	—

Portfolio Analysis 06-30-2020

Asset Allocation %	Net %	Long %	Short %	Share Chg since 05-2020	Share Amount	Holdings:	Net Assets %
Cash	48.30	48.30	0.00	—	—	525 Total Stocks, 2 Total Fixed-Income, 435% Turnover Ratio	—
US Stocks	50.82	50.82	0.00	—	333,961	Invesco QQQ Trust	25.76
Non-US Stocks	0.88	0.88	0.00	—	209,517	SPDR® S&P 500 ETF Trust	20.13
Bonds	0.00	0.00	0.00	—	183,194	Technology Select Sector SPDR® ETF	5.96
Other/Not Clsfd	0.00	0.00	0.00	—	0	iShares Russell 2000 ETF	0.00
Total	100.00	100.00	0.00	—	—	—	—

Equity Style

Value	Blend	Growth
—	—	—
—	—	—
—	—	—
—	—	—
—	—	—

Portfolio Statistics

Port Avg	Rel Index	Rel Cat
P/E Ratio TTM	26.6	1.17
P/C Ratio TTM	16.8	1.21
P/B Ratio TTM	5.1	1.53
Geo Avg Mkt Cap \$mil	219671	1.58

Fixed-Income Style

Utd	Mod	Ext
—	—	—
—	—	—
—	—	—
—	—	—
—	—	—

Avg Eff Maturity	—
Avg Eff Duration	—
Avg Wtd Coupon	—
Avg Wtd Price	—

Credit Quality Breakdown

	Bond %
AAA	—
AA	—
A	—
BBB	—
BB	—
B	—

Below B

NR

Regional Exposure

Stocks %	Rel Std Index
Americas	98.5
Greater Europe	0.6
Greater Asia	0.8

Sector Weightings

Stocks %	Rel Std Index
Cyclical	22.0
Basic Materials	0.9
Consumer Cyclical	12.5
Financial Services	7.4
Real Estate	1.2
Sensitive	61.8
Communication Services	14.2
Energy	1.1
Industrials	4.8
Technology	41.7
Defensive	16.2
Consumer Defensive	5.2
Healthcare	9.5
Utilities	1.5

Wells Fargo Absolute Return Inst (USD)

Morningstar Analyst Rating™
Bronze
 04-16-2020

Overall Morningstar Rating™
★★
 399 US Fund World
 Allocation

Standard Index
 Morningstar Mod
 Tgt Risk TR USD

Category Index
 Morningstar Gbl
 Allocation TR USD

Morningstar Cat
 US Fund World
 Allocation

Performance 06-30-2020

Quarterly Returns	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	Total %
2018	0.70	-2.35	0.36	-4.32	-5.58
2019	5.37	1.55	-1.25	5.29	11.25
2020	-15.97	7.60	—	—	-9.58
Trailing Returns	1 Yr	3 Yr	5 Yr	10 Yr	Incept
Load-adj Mthly	-5.99	-0.17	0.80	—	2.30
Std 06-30-2020	-5.99	—	0.80	—	2.30
Total Return	-5.99	-0.17	0.80	3.87	2.30
+/- Std Index	-9.70	-6.06	-5.20	-3.89	—
+/- Cat Index	-9.15	-5.66	-4.89	-3.36	—
% Rank Cat	70	78	84	88	—
No. in Cat	471	399	342	207	—

7-day Yield

30-day SEC Yield

Performance Disclosure

The Overall Morningstar Rating is based on risk-adjusted returns, derived from a weighted average of the three-, five-, and 10-year (if applicable) Morningstar metrics.

The performance data quoted represents past performance and does not guarantee future results. The investment return and principal value of an investment will fluctuate; thus an investor's shares, when sold or redeemed, may be worth more or less than their original cost.

Current performance may be lower or higher than return data quoted herein. For performance data current to the most recent month-end, please call 800-222-8222 or visit <https://www.wellsfargofunds.com/>.

Fees and Expenses

Sales Charges

Front-End Load %

Deferred Load %

NA

NA

Fund Expenses

Management Fees %

0.72

12b1 Expense %

0.00

Net Expense Ratio %

1.17

Gross Expense Ratio %

1.20

Risk and Return Profile

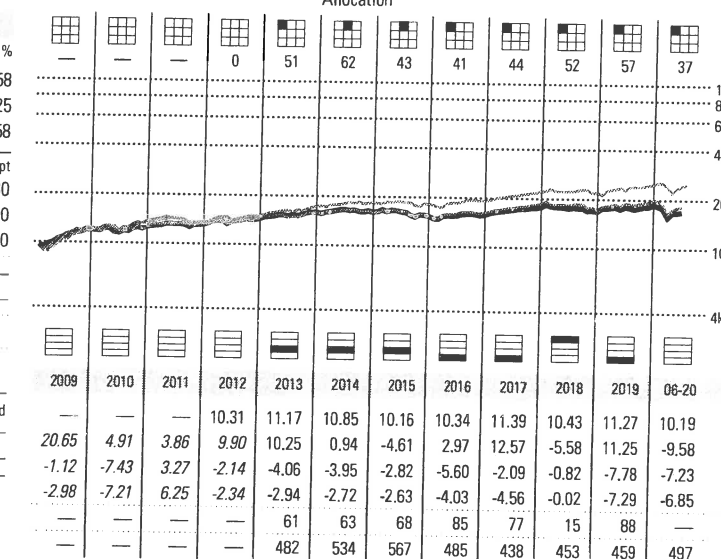
	3 Yr	5 Yr	10 Yr
Morningstar Rating™	2★	2★	2★
Morningstar Risk	-Avg	Low	Low
Morningstar Return	-Avg	-Avg	-Avg
Standard Deviation	9.98	8.70	7.38
Mean	-0.17	0.80	3.87
Sharpe Ratio	-0.14	0.00	0.47

MPT Statistics

	Standard Index	Best Fit Index
Alpha	-5.49	-2.60
Beta	0.91	0.51
R-Squared	85.74	90.15
12-Month Yield	—	—
Potential Cap Gains Exp	—	-22.95%

Operations

Family: Wells Fargo Funds
 Manager: Multiple
 Tenure: 8.3 Years
 Objective: Growth and Income



Portfolio Analysis 05-31-2020

Asset Allocation %

	Net %	Long %	Short %
Cash	-17.36	51.71	69.07
US Stocks	10.17	17.18	7.01
Non-US Stocks	47.36	48.98	1.62
Bonds	59.18	59.38	0.21
Other/Not Clsfd	0.13	0.55	0.41
Total	99.48	177.79	78.31

Equity Style

Value	Blend	Growth
Large	—	—
Mid	—	—
Small	—	—

Portfolio Statistics

	Port Avg	Rel Index	Rel Cat
P/E Ratio TTM	9.2	0.52	0.60
P/C Ratio TTM	5.3	0.53	0.58
P/B Ratio TTM	1.1	0.56	0.62
Geo Avg Mkt Cap \$mil	11278	0.31	0.25

Fixed-Income Style

Ltd	Mod	Ext
High	—	—
Med	—	—
Low	—	—

Avg Eff Maturity	—
Avg Eff Duration	—
Avg Wtd Coupon	—
Avg Wtd Price	101.73

Credit Quality Breakdown —

	Bond %
AAA	—
AA	—
A	—
BBB	—
BB	—
B	—
Below B	—
NR	—

Regional Exposure

	Stocks %	Rel Std Index
Americas	25.5	0.42
Greater Europe	32.3	1.79
Greater Asia	42.2	2.04

Share Chg since 04-2020	Share Amount	Holdings : 2,415 Total Stocks , 1,903 Total Fixed-Income, 4% Turnover Ratio	Net Assets %
90 mil	GMO Benchmark-Free Allocation MF	100.15	

Sector Weightings

	Stocks %	Rel Std Index
Cyclical	45.9	1.25
Basic Materials	7.1	1.51
Consumer Cyclical	14.2	1.44
Financial Services	19.5	1.30
Real Estate	5.1	0.71
Sensitive	36.6	0.98
Communication Services	5.7	0.78
Energy	5.7	1.44
Industrials	11.7	1.05
Technology	13.4	0.90
Defensive	17.5	0.67
Consumer Defensive	5.8	0.67
Healthcare	6.4	0.48
Utilities	5.3	1.37

Investment Style

Equity

Stocks %

Growth of \$10,000

Wells Fargo Absolute Return Inst	16,885
Category Average	18,238
Standard Index	24,750

Performance Quartile (within category)

History

NAV/Price	—
Total Return %	—
+/- Standard Index	—
+/- Category Index	—
% Rank Cat	—
No. of Funds in Cat	—

Mutual Fund Detail Report Disclosure Statement

The Mutual Fund Detail Report is to be used as supplemental sales literature, and therefore must be preceded or accompanied by the fund's current prospectus and a disclosure statement. Please read the prospectus carefully. In all cases, this disclosure statement should accompany the Mutual Fund Detail Report. Morningstar is not itself a FINRA-member firm. Portfolio information is based on the most recent information available to Morningstar.

Pre-inception Returns

The analysis in this report may be based, in part, on adjusted historical returns for periods prior to the fund's actual inception. These calculated returns reflect the historical performance of the oldest share class of the fund, adjusted to reflect the fees and expenses of this share class. These fees and expenses are referenced in the report's Performance section.

When pre-inception data is presented in the report, the header at the top of the report will indicate this. In addition, the pre-inception data included in the report will appear in italics.

While the inclusion of pre-inception data provides valuable insight into the probable long-term behavior of newer share classes of a fund, investors should be aware that an adjusted historical return can only provide an approximation of that behavior. For example, the fee structures of a retail share class will vary from that of an institutional share class, as retail shares tend to have higher operating expenses and sales charges. These adjusted historical returns are not actual returns. Calculation methodologies utilized by Morningstar may differ from those applied by other entities, including the fund itself.

Performance

The performance data given represents past performance and should not be considered indicative of future results. Principal value and investment return will fluctuate, so that an investor's shares, when redeemed, may be worth more or less than the original investment. Fund portfolio statistics change over time. The fund is not FDIC-insured, may lose value and is not guaranteed by a bank or other financial institution.

Total Return and Quarterly Return reflects performance without adjusting for sales charges or the effects of taxation, but is adjusted to reflect all actual ongoing fund expenses and assumes reinvestment of dividends and capital gains. If adjusted for sales charges and the effects of taxation, the performance quoted would be reduced.

Standardized Return is reflected as of the quarter-end. It depicts performance without adjusting for the effects of taxation, but is adjusted for sales charges and all ongoing fund expenses, and assumes reinvestment of dividends and capital gains. If adjusted for the effects of taxation, the performance quoted would be reduced. The sales charge used in the calculation was obtained from the fund's most recent prospectus and/or shareholder report available to Morningstar. Standardized Returns never include pre-inception history.

Load-Adjusted Monthly Return is calculated applying the same methodology as Standardized Returns, except that it represents return through month-end. As with Standardized Returns, it reflects the impact of sales charges and ongoing fund expenses, but not taxation. If adjusted for the effects of taxation, the performance quoted would be significantly reduced.

Morningstar % Rank within Morningstar Category does not account for a fund's

sales charge (if applicable). Rankings will not be provided for periods less than one year.

Growth of 10,000

This graph compares the growth of an investment of 10,000 (in the base currency of the fund) with that of an index and with that of the average for all funds in its Morningstar category. The total returns are not adjusted to reflect sales charges or the effects of taxation, but are adjusted to reflect actual ongoing fund expenses, and assume reinvestment of dividends and capital gains. If adjusted, sales charges would reduce the performance quoted. The index is an unmanaged portfolio of specified securities and cannot be invested in directly. The index and the category average do not reflect any initial or ongoing expenses. A fund's portfolio may differ significantly from the securities in the index. The index is chosen by Morningstar.

If pre-inception data is included in the analysis, it will be graphed.

Morningstar Analyst Rating

The Morningstar Analyst Rating is not a credit or risk rating. It is a subjective evaluation performed by the mutual fund analysts of Morningstar, Inc. Morningstar evaluates funds based on five key pillars, which are process, performance, people, parent, and price. Morningstar's analysts use this five pillar evaluation to identify funds they believe are more likely to outperform over the long term on a risk-adjusted basis. Analysts consider quantitative and qualitative factors in their research, and the weighting of each pillar may vary. The Analyst Rating ultimately reflects the analyst's overall assessment and is overseen by Morningstar's Analyst Rating Committee. The approach serves not as a formula but as a framework to ensure consistency across Morningstar's global coverage universe.

The Analyst Rating scale ranges from Gold to Negative, with Gold being the highest rating and Negative being the lowest rating. A fund with a Gold rating distinguishes itself across the five pillars and has garnered the analysts' highest level of conviction. A fund with a Silver rating has notable advantages across several, but perhaps not all, of the five pillars-strengths that give the analysts a high level of conviction. A Bronze-rated fund has advantages that outweigh the disadvantages across the five pillars, with sufficient level of analyst conviction to warrant a positive rating. A fund with a Neutral rating isn't seriously flawed across the five pillars, nor does it distinguish itself very positively. A Negative rated fund is flawed in at least one if not more pillars and is considered an inferior offering to its peers. Analyst Ratings are reevaluated at least every 14 months.

For more detailed information about Morningstar's Analyst Rating, including its methodology, please go to <http://corporate.morningstar.com/us/documents/MethodologyDocuments/AnalystRatingforFundsMethodology.pdf>.

The Morningstar Analyst Rating should not be used as the sole basis in evaluating a mutual fund. Morningstar Analyst Ratings are based on Morningstar's current expectations about future events; therefore, in no way does Morningstar represent ratings as a guarantee nor should they be viewed by an investor as such. Morningstar Analyst Ratings involve unknown risks and uncertainties which may cause Morningstar's expectations not to occur or to differ significantly from what we expected.

Risk and Return

The Morningstar Rating is calculated for funds with at least a three-year history. It is calculated based on a Morningstar Risk-Adjusted Return measure that accounts for variation in a fund's monthly performance, placing more emphasis on downward variations and rewarding consistent performance. The top 10% of funds in each category receive 5 stars, the next 22.5% receive 4 stars, the next

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35% receive 3 stars, the next 22.5% receive 2 stars and the bottom 10% receive 1 star. The Overall Morningstar Rating for a mutual fund is derived from a weighted average of the performance figures associated with its three-, five- and 10-year (if applicable) Morningstar Rating metrics.

Please note that some Morningstar proprietary calculations, including the Morningstar Rating, may be calculated based on adjusted historical returns (pre-inception returns). If the extended performance rating is in effect, the "stars" are represented as unshaded stars. For each mutual fund with at least a three-year history, Morningstar calculates a Morningstar Rating based on a Morningstar Risk-Adjusted Return measure that accounts for variation in a fund's adjusted monthly performance, placing more emphasis on downward variations and rewarding consistent performance. The top 10% of funds in each category receive 5 stars, the next 22.5% receive 4 stars, the next 35% receive 3 stars, the next 22.5% receive 2 stars and the bottom 10% receive 1 star. This investment's independent Morningstar Rating metric is then compared against the open-end mutual fund universe's actual performance breakpoints to determine its extended performance rating. The Overall Morningstar Rating for a mutual fund is derived from a weighted average of the actual performance figures associated with its three-, five- and 10-year (if applicable) Morningstar Rating metrics.

Morningstar Return rates a mutual fund's performance relative to other funds in its Morningstar Category. It is an assessment of a fund's excess return over a risk-free rate (the return of the 90-day Treasury Bill), after adjusting for all applicable loads and sales charges, in comparison with the mutual funds in its Morningstar Category. In each Morningstar Category, the top 10% of funds earn a High Morningstar Return (HIGH), the next 22.5% Above Average (+AVG), the middle 35% Average (AVG), the next 22.5% Below Average (-AVG), and the bottom 10% Low (LOW). Morningstar Return is measured for up to three time periods (three-, five-, and 10 years). These separate measures are then weighted and averaged to produce an overall measure for the mutual fund. Funds with less than three years of performance history are not rated.

Morningstar Risk evaluates a mutual fund's downside volatility relative to that of other funds in its Morningstar Category. It is an assessment of the variations in a fund's monthly returns, with an emphasis on downside variations, in comparison with the mutual funds in its Morningstar Category. In each Morningstar Category, the 10% of funds with the lowest measured risk are described as Low Risk (LOW), the next 22.5% Below Average (-AVG), the middle 35% Average (AVG), the next 22.5% Above Average (+AVG), and the top 10% High (HIGH). Morningstar Risk is measured for up to three time periods (three-, five-, and 10 years). These separate measures are then weighted and averaged to produce an overall measure for the mutual fund. Funds with less than three years of performance history are not rated.

If pre-inception returns are included in this analysis, the risk and return profile data calculated on the basis of these returns will appear in italics.

Risk Measures

The risk measures below are calculated for funds with at least a three-year history.

Standard deviation is a statistical measure of the volatility of the fund's returns.

Mean represents the annualized geometric return for the period shown.

The Sharpe ratio uses standard deviation and excess return to determine reward per unit of risk.

Alpha measures the difference between a fund's actual returns and its expected

performance, given its level of risk (as measured by beta). Alpha is often seen as a measure of the value added or subtracted by a portfolio manager.

Beta is a measure of a fund's sensitivity to market movements. A portfolio with a beta greater than 1 is more volatile than the market, and a portfolio with a beta less than 1 is less volatile than the market.

R-squared reflects the percentage of a fund's movements that is explained by movements in its benchmark index, showing the degree of correlation between the fund and the benchmark. This figure is also helpful in assessing how likely it is that alpha and beta are statistically significant.

Best Fit index: Alpha, beta, and R-squared statistics are presented for a broad market index and a "Best Fit" index. The Best Fit index identified in this report was determined by Morningstar by calculating R-squared for the fund against approximately 100 indexes tracked by Morningstar. The index representing the highest R-squared is identified as the Best Fit index. The Best Fit index may not be the fund's benchmark, nor does it necessarily contain the types of securities that may be held by the fund.

Risk measures calculated using pre-inception data, if included in the analysis, will be presented in italics.

Asset Allocation

The weighting of the portfolio in various asset classes, including "Other" is shown in the table. "Other" includes security types that are not neatly classified in the other asset classes, such as convertible bonds and preferred stocks.

In the table, allocation to the classes is shown for long positions, short positions, and net (long positions net of short) positions. These statistics summarize what the managers are buying and how they are positioning the portfolio. When short positions are captured in these portfolio statistics, investors get a more robust description of the funds' exposure and risk.

Most managed product portfolios hold fairly conventional securities, such as long positions in stocks and bonds. Other portfolios use other investment strategies or securities, such as short positions or derivatives, to reduce transaction costs, enhance returns, or reduce risk. Some of these securities and strategies behave like conventional securities, while others have unique return and risk characteristics.

Most portfolios take long positions in securities. Long positions involve buying the security outright and then selling it later, with the hope that the security price rises over time. In contrast, short positions are taken to benefit from anticipated price declines. In this type of transaction, the investor borrows the security from another investor, sells it and receives cash, and then is obligated to buy it back at some point in the future. If the price falls after the short sale, the investor will have sold high and can now buy low to close the short position and lock in a profit. However, if the price of the security increases after the short sale, the investor will experience losses by buying it at a higher price than the sale price.

The strategy of selling securities short is prevalent in specialized portfolios, such as long-short, market-neutral, bear-market, and hedge funds. Most conventional portfolios do not typically short securities, although they may reserve the right to do so under special circumstances. Funds may also short derivatives, and this is sometimes more efficient than shorting individual securities. Short positions produce negative exposure to the security that is being shorted. This means that when the security rises in value, the short position will fall in value and vice versa. Morningstar's portfolio statistics will capture this negative exposure. For example, if a fund has many short stock positions, the percent of assets in stocks in the asset allocation breakdown may

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be negative. Funds must provide their broker with cash collateral for the short position, so funds that short often have a large cash position, sometimes even exceeding 100% cash.

Note that all other portfolio statistics presented in this report are based on the long holdings of the fund only.

Style Analysis

The Morningstar Style Box reveals a fund's investment style as of the date noted on this report.

For equity funds the vertical axis shows the market capitalization of the stocks owned and the horizontal axis shows investment style (value, blend, or growth).

For fixed-income funds, the vertical axis shows the credit quality of the bonds owned and the horizontal axis shows interest rate sensitivity as measured by a bond's effective duration.

Morningstar seeks credit rating information from fund companies on a periodic basis (e.g., quarterly). In compiling credit rating information Morningstar accepts credit ratings reported by fund companies that have been issued by all Nationally Recognized Statistical Rating Organizations (NRSROs). For a list of all NRSROs, please visit

<http://www.sec.gov/divisions/marketreg/ratingagency.htm>. Additionally, Morningstar accepts foreign credit ratings from widely recognized or registered rating agencies. If two rating organizations/agencies have rated a security, fund companies are to report the lower rating; if three or more organizations/agencies have rated a security, fund companies are to report the median rating, and in cases where there are more than two organization/agency ratings and a median rating does not exist, fund companies are to use the lower of the two middle ratings. PLEASE NOTE: Morningstar, Inc. is not itself a NRSRO nor does it issue a credit rating on the fund. A NRSRO or rating agency ratings can change from time-to-time.

For credit quality, Morningstar combines the credit rating information provided by the fund companies with an average default rate calculation to come up with a weighted-average credit quality. The weighted-average credit quality is currently a letter that roughly corresponds to the scale used by a leading NRSRO. Bond funds are assigned a style box placement of "low", "medium", or "high" based on their average credit quality. Funds with a low credit quality are those whose weighted-average credit quality is determined to be less than "BBB-"; medium are those less than "AA-", but greater or equal to "BBB-"; and high are those with a weighted-average credit quality of "AA-" or higher. When classifying a bond portfolio, Morningstar first maps the NRSRO credit ratings of the underlying holdings to their respective default rates (as determined by Morningstar's analysis of actual historical default rates). Morningstar then averages these default rates to determine the average default rate for the entire bond fund. Finally, Morningstar maps this average default rate to its corresponding credit rating along a convex curve.

For interest-rate sensitivity, Morningstar obtains from fund companies the average effective duration. Generally, Morningstar classifies a fixed-income fund's interest-rate sensitivity based on the effective duration of the Morningstar Core Bond Index (MCBI), which is currently three years. The classification of Limited will be assigned to those funds whose average effective duration is between 25% to 75% of MCBI's average effective duration; funds whose average effective duration is between 75% to 125% of the MCBI will be classified as Moderate; and those that are at 125% or greater of the average effective duration of the MCBI will be classified as Extensive.

For municipal bond funds, Morningstar also obtains from fund companies the average effective duration. In these cases static breakpoints are utilized. These

breakpoints are as follows: (i) Limited: 4.5 years or less; (ii) Moderate: more than 4.5 years but less than 7 years; and (iii) Extensive: more than 7 years. In addition, for non-US taxable and non-US domiciled fixed income funds static duration breakpoints are used: (i) Limited: less than or equal to 3.5 years; (ii) Moderate: greater than 3.5 and less than equal to 6 years; (iii) Extensive: greater than 6 years.

Equity Portfolio Statistics

The referenced data elements below are a weighted average of the long equity holdings in the portfolio.

The Price/Earnings ratio is a weighted average of the price/earnings ratios of the stocks in the underlying fund's portfolio. The P/E ratio of a stock is calculated by dividing the current price of the stock by its trailing 12-months' earnings per share. In computing the average, Morningstar weights each portfolio holding by the percentage of equity assets it represents.

The Price/Cash Flow ratio is a weighted average of the price/cash-flow ratios of the stocks in a fund's portfolio. Price/cash-flow shows the ability of a business to generate cash and acts as a gauge of liquidity and solvency.

The Price/Book ratio is a weighted average of the price/book ratios of all the stocks in the underlying fund's portfolio. The P/B ratio of a company is calculated by dividing the market price of its stock by the company's per-share book value. Stocks with negative book values are excluded from this calculation.

The geometric average market capitalization of a fund's equity portfolio offers a measure of the size of the companies in which the mutual fund invests.

Fixed-Income Portfolio Statistics

The referenced data elements below are a weighted average of the long fixed income holdings in the portfolio.

Duration is a time measure of a bond's interest rate sensitivity. Average effective duration is a weighted average of the duration of the underlying fixed income securities within the portfolio.

Average effective maturity is a weighted average of all the maturities of the bonds in a portfolio, computed by weighting each maturity date by the market value of the security.

Average weighted coupon is generated from the fund's portfolio by weighting the coupon of each bond by its relative size in the portfolio. Coupons are fixed percentages paid out on a fixed-income security on an annual basis.

Average weighted price is generated from the fund's portfolio by weighting the price of each bond by its relative size in the portfolio. This number reveals if the fund favors bonds selling at prices above or below face value (premium or discount securities, respectively). A higher number indicates a bias toward premiums. This statistic is expressed as a percentage of par (face) value.

Credit quality breakdowns are shown for corporate-bond holdings and depict the quality of bonds in the underlying portfolio. The report shows the percentage of fixed-income securities that fall within each credit quality rating as assigned by a NRSRO. Bonds not rated by a NRSRO are included in the not rated (NR) category.

Turnover Ratio is a decent proxy for how frequently a manager trades his or her portfolio. The inverse of a fund's turnover ratio is the average holding period for a security in the fund. As turnover increases, a fund's brokerage costs typically rise as well.

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Operations

Purchase constraints denote if a mutual fund has any of the following qualities: Qualified Access (A), Institutional (T), Closed to New Investments, (C) or Closed to All Investments (L). Because these qualities can all act as restrictions and/or requirements for investment, they are grouped together.

Potential capital gains exposure is the percentage of a mutual fund's total assets that represents capital appreciation.

Fees and Expenses

Prospectus Gross Expense Ratio reflects the annual percentage of a fund's assets paid out in expenses. Expenses include management, 12B-1, transfer agent and all other asset-based fees associated with the fund's daily operations and distribution, with the exception of brokerage commissions. It does not reflect expenses that have been reimbursed by the investment advisor, reductions from brokerage service arrangements or other expense offset arrangements.

Prospectus Net Expense Ratio reflects actual expenses paid by the fund as well as any voluntary waivers, reductions from brokerage service arrangements and any other expense offset arrangements.

Investment Risks

International/Emerging Market Equities: Investing in international securities involves special additional risks. These risks include, but are not limited to, currency risk, political risk, and risk associated with varying accounting standards. Investing in emerging markets may accentuate these risks.

Sector Strategies: Portfolios that invest exclusively in one sector or industry involve additional risks. The lack of industry diversification subjects the investor to increased industry-specific risks.

Non-Diversified Strategies: Portfolios that invest a significant percentage of assets in a single issuer involve additional risks, including share price fluctuations, because of the increased concentration of investments.

Small Cap Equities: Portfolios that invest in stocks of small companies involve additional risks. Smaller companies typically have a higher risk of failure, and are not as well established as larger blue-chip companies. Historically, smaller-company stocks have experienced a greater degree of market volatility than the overall market average.

Mid Cap Equities: Portfolios that invest in companies with market capitalization below \$10 billion involve additional risks. The securities of these companies may be more volatile and less liquid than the securities of larger companies.

High-Yield Bonds: Portfolios that invest in lower-rated debt securities (commonly referred to as junk bonds) involve additional risks because of the lower credit quality of the securities in the portfolio. The investor should be aware of the possible higher level of volatility, and increased risk of default.

Tax-Free Municipal Bonds: The investor should note that the income from tax-free municipal bond funds may be subject to state and local taxation and the Alternative Minimum Tax.

Bonds: Bonds are subject to interest rate risk. As the prevailing level of bond interest rates rise, the value of bonds already held in a portfolio declines. Portfolios that hold bonds are subject to declines and increases in value due to general changes in interest rates.

HOLDRs: The investor should note that these are narrow industry-focused products that, if the industry is hit by hard times, will lack diversification and possible loss of investment would be likely. These securities can trade at a discount to market price, ownership is of a fractional share interest, the underlying investments may not be representative of the particular industry, the HOLDR might be delisted from the AMEX if the number of underlying companies drops below nine, and the investor may experience trading halts.

Hedge Funds: The investor should note that hedge fund investing involves specialized risks that are dependent upon the type of strategies undertaken by the manager. This can include distressed or event-driven strategies, long/short strategies, using arbitrage (exploiting price inefficiencies), international investing, and use of leverage, options and/or derivatives. Although the goal of hedge fund managers may be to reduce volatility and produce positive absolute return under a variety of market conditions, hedge funds may involve a high degree of risk and are suitable only for investors of substantial financial means who could bear the entire loss of their investment.

Bank Loan/Senior Debt: Bank loans and senior loans are impacted by the risks associated with fixed income in general, including interest rate risk and default risk. They are often non-investment grade; therefore, the risk of default is high. These securities are also relatively illiquid. Managed products that invest in bank loans/senior debt are often highly leveraged, producing a high risk of return volatility.

Exchange Traded Notes (ETNs): ETNs are unsecured debt obligations. Any repayment of notes is subject to the issuer's ability to repay its obligations. ETNs do not typically pay interest.

Leveraged ETFs: Leveraged investments are designed to meet multiples of the return performance of the index they track and seek to meet their fund objectives on a daily basis (or other time period stated within the prospectus objective). The leverage/gearing ratio is the amount of excess return that a leveraged investment is designed to achieve in comparison to its index performance (i.e. 200%, 300%, -200%, or -300% or 2X, 3X, -2X, -3X). Compounding has the ability to affect the performance of the fund to be either greater or less than the index performance multiplied by the multiple stated within the funds objective over a stated time period.

Short Positions: When a short position moves in an unfavorable way, the losses are theoretically unlimited. The broker may demand more collateral and a manager might have to close out a short position at an inopportune time to limit further losses.

Long-Short: Due to the strategies used by long-short funds, which may include but are not limited to leverage, short selling, short-term trading, and investing in derivatives, these funds may have greater risk, volatility, and expenses than those focusing on traditional investment strategies.

Liquidity Risk: Closed-end fund, ETF, and HOLDR trading may be halted due to market conditions, impacting an investor's ability to sell a fund.

Market Price Risk: The market price of ETFs, HOLDRs, and closed-end funds traded on the secondary market is subject to the forces of supply and demand and thus independent of the NAV. This can result in the market price trading at a premium or discount to the NAV, which will affect an investor's value.

Market Risk: The market prices of ETFs and HOLDRs can fluctuate as a result of several factors, such as security-specific factors or general investor sentiment. Therefore, investors should be aware of the prospect of market fluctuations and the impact it may have on the market price.

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Performance Appendix

Performance Data below is net of fees. Please see the Morgan Stanley Smith Barney LLC Form ADV Part 2 Brochure for advisory accounts and/or any applicable brokerage account trade confirmation statements for a full disclosure of the applicable charges, fees and expenses. Your Financial Advisor will provide those documents to you upon request.

Account Name	QTD	YTD	1 Year	3 Years	5 Years	10 Years	Since Inception	Inception Date
Baird Investment Management	4.79	6.35	9.24	--	--	--	6.13	12/01/2017
Brandywine Global Opp	10.76	-1.83	0.48	1.54	2.64	--	1.72	10/01/2012
FPA Crescent	15.00	-8.59	-4.18	2.12	3.89	--	3.53	01/01/2015
Met West Total Return Bond	4.07	6.48	9.07	5.66	4.36	--	3.94	07/01/2014
Mutual Fund Cash	0.04	0.36	1.19	1.48	2.33	--	--	09/01/2012
PIMCO Income Instl	6.48	-1.68	0.69	3.33	4.69	--	5.12	01/01/2013
Restricted Cash Account	0.04	0.36	1.20	--	--	--	1.67	02/01/2018
Salient Tactical Growth	1.80	1.38	6.06	--	--	--	2.46	09/01/2018
TIAA CREF	5.64	4.68	7.32	--	--	--	5.17	12/01/2017
Vanguard Mid Cap Index	24.96	-7.16	-0.18	6.47	7.00	--	11.20	10/01/2012
Wells Fargo Absolute Return	7.60	-9.58	-5.99	-0.17	--	--	2.16	01/01/2016
iShares Core S&P 500 ETF	20.34	-3.23	7.33	10.61	--	--	11.90	01/01/2016
iShares MSCI EAFE ETF	15.99	-11.30	-4.46	--	--	--	-0.15	09/01/2017
iShares MSCI Emerging Mkts ETF	18.72	-10.63	-4.45	--	--	--	-1.45	09/01/2017
iShares MSCI USA Min Vol ETF	12.81	-6.58	0.31	9.58	--	--	10.84	01/01/2016
iShares S&P Small Cap	22.13	-17.91	-11.30	0.58	--	--	4.11	10/01/2016

All performance above are Time Weighted(TWR) performance

Glossary of Terms

Active Contribution Return: The gain or loss percentage of an investment relative to the performance of the investment benchmark.

Active Exposure: The percentage difference in weight of the portfolio compared to its policy benchmark.

Active Return: Arithmetic difference between the manager's return and the benchmark's return over a specified time period.

Actual Correlation: A measure of the correlation (linear dependence) between two variables X and Y, with a value between +1 and -1 inclusive. This is also referred to as coefficient of correlation.

Alpha: A measure of a portfolio's time weighted return in excess of the market's return, both adjusted for risk. A positive alpha indicates that the portfolio outperformed the market on a risk-adjusted basis, and a negative alpha indicates the portfolio did worse than the market.

Best Quarter: The highest quarterly return for a certain time period.

Beta: A measure of the sensitivity of a portfolio's time weighted return (net of fees) against that of the market. A beta greater than 1.00 indicates volatility greater than the market.

Consistency: The percentage of quarters that a product achieved a rate of return higher than that of its benchmark. The higher the consistency figure, the more value a manager has contributed to the product's performance.

Core: Refers to an investment strategy mandate that is blend of growth and value styles without a pronounced tilt toward either style.

Cumulative Selection Return (Cumulative Return): Cumulative investment performance over a specified period of time.

Distribution Rate: The most recent distribution paid, annualized, and then divided by the current market price. Distribution rate may consist of investment income, short-term capital gains, long-term capital gains, and/or return of capital.

Down Market Capture: The ratio of average portfolio returns over the benchmark during periods of

negative benchmark return. Lower values indicate better product performance.

Downside Risk: A measure similar to standard deviation, but focuses only on the negative movements of the return series. It is calculated by taking the standard deviation of the negative quarterly set of returns. The higher the value, the more risk the product has.

Downside Semi Deviation: A statistical calculation that measures the volatility of returns below a minimum acceptable return. This return measure isolates the negative portion of volatility: the larger the number, the greater the volatility.

Drawdown: A drawdown is the peak-to-trough decline during a specific period of an investment, fund or commodity.

Excess over Benchmark: The percentage gain or loss of an investment relative to the investment's benchmark.

Excess Return: Arithmetic difference between the manager's return and the risk-free return over a specified time period.

Growth: A diversified investment strategy which includes investment selections that have capital appreciation as the primary goal, with little or no dividend payouts. These strategies can include reinvestment in expansion, acquisitions, and/or research and development opportunities.

Growth of Dollar: The aggregate amount an investment has gained or lost over a certain time period, also referred to as Cumulative Return, stated in terms of the amount to which an initial dollar investment would have grown over the given time period.

Investment Decision Process (IDP): A model for structuring the investment process and implementing the correct attribution methodologies. The IDP includes every decision made concerning the division of the assets under management over the various asset categories. To analyze each decision's contribution to the total return, a modeling approach must measure the marginal value of every individual decision. In this respect, the hierarchy of the decisions becomes very important. We therefore use the IDP model, which serves as a proper foundation for registering the decisions and relating them to each other.

Information Ratio: Measured by dividing the active rate of return by the tracking error. The higher the Information Ratio, the more value-added contribution by the manager.

Jensen's Alpha: The Jensen's alpha measure is a risk-adjusted performance measure that represents the average return on a portfolio or investment above or below that predicted by the capital asset pricing model (CAPM) given the portfolio's or investment's beta and the average market return. This metric is also commonly referred to as alpha.

Kurtosis: A statistical measure that is used to describe the distribution, or skewness, of observed data around the mean, sometimes referred to as the volatility of volatility.

Maximum Drawdown: The drawdown is defined as the percent retrenchment from a fund's peak to the fund's trough value. It is in effect from the time the fund's retrenchment begins until a new fund high is reached. The maximum drawdown encompasses both the period from the fund's peak to the fund's valley (length), and the time from the fund's valley to a new fund high (recovery). It measures the largest percentage drawdown that has occurred in any fund's data record.

Modern Portfolio Theory (MPT): An investment analysis theory on how risk-averse investors can construct portfolios to optimize or maximize expected return based on a given level of market risk, emphasizing that risk is an inherent part of higher reward.

Mutual Fund (MF): An investment program funded by shareholders that trade in diversified holdings and is professionally managed.

Peer Group: A combination of funds that share the same investment style combined as a group for comparison purposes.

Peer/ Plan Sponsor Universe: A combination of asset pools of total plan investments by specific sponsor and plan types for comparison purposes.

Performance Ineligible Assets: Performance returns are not calculated for certain assets because accurate valuations and transaction data for these assets are not processed or maintained by us. Common examples of these include life insurance, some annuities and some assets held externally.

Performance Statistics: A generic term for various measures of investment performance measurement terms.

Portfolio Characteristics: A generic term for various measures of investment portfolio characteristics.

Preferred Return: A term used in the private equity (PE) world, and also referred to as a "Hurdle Rate." It refers to the threshold return that the limited partners of a private equity fund must receive, prior to the PE firm receiving its carried interest or "carry."

Ratio of Cumulative Wealth: A defined ratio of the Cumulative Return of the portfolio divided by the Cumulative Return of the benchmark for a certain time period.

Regression Based Analysis: A statistical process for estimating the relationships among variables. It includes many techniques for modeling and analyzing several variables, when the focus is on the relationship between a dependent variable and one or more independent variables

Residual Correlation: Within returns-based style analysis, residual correlation refers to the portion of a strategy's return pattern that cannot be explained by its correlation to the asset-class benchmarks to which it is being compared.

Return: A rate of investment performance for the specified period.

Rolling Percentile Ranking: A measure of an investment portfolio's ranking versus a peer group for a specific rolling time period (i.e. Last 3 Years, Last 5 years, etc.).

R-Squared: The percentage of a portfolio's performance explained by the behavior of the appropriate benchmark. High R-Squared means a higher correlation of the portfolio's performance to the appropriate benchmark.

SA/CF (Separate Account/Comingled Fund): Represents an acronym for Separate Account and Comingled Fund investment vehicles.

Sector Benchmark: A market index that serves as a proxy for a sector within an asset class.

Sharpe Ratio: Represents the excess rate of return over the risk free return divided by the standard deviation of the excess return. The result is the absolute rate of return per unit of risk. The higher the value, the better the product's historical risk-adjusted performance results in.

Standard Deviation: A statistical measure of the range of a portfolio's performance; the variability of a return around its average return over a specified time period.

Total Fund Benchmark: The policy benchmark for a complete asset pool that could consist of multiple investment mandates.

Total Fund Composite: The aggregate of multiple portfolios within an asset pool or household.

Tracking Error: A measure of standard deviation for a portfolio's investment performance, relative to the performance of an appropriate market benchmark.

Treynor Ratio: A ratio that divides the excess return (above the risk free rate) by the portfolio's beta to arrive at a unified measure of risk adjusted return. It is generally used to rank portfolios, funds and benchmarks. A higher ratio is indicative of higher returns per unit of market risk. This measurement can help determine if the portfolio is reaching its goal of increasing returns while managing market risk.

Up Market Capture: The ratio of average portfolio returns over the benchmark during periods of positive benchmark return. Higher values indicate better product performance.

Upside Semi Deviation: A statistical calculation that measures the volatility of returns above an acceptable return. This return measure isolates the positive portion of volatility; the larger the number, the greater the volatility.

Value: A diversified investment strategy that includes investment selections which tend to trade at a lower price relative to its dividends, earnings, and sales. Common attributes are stocks that include high dividend, low price-to-book ratio, and/or low price-to-earnings ratio.

Worst Quarter: The lowest rolling quarterly return for a certain time period.

Information Disclosures

Performance results are annualized for time periods greater than one year and include all cash and cash equivalents, realized and unrealized capital gains and losses, and dividends, interest and income. The investment results depicted herein represent historical performance. As a result of recent market activity, current performance may vary from the figures shown. Past performance is not a guarantee of future results.

Please see the Morgan Stanley Smith Barney LLC Form ADV Part 2 Brochure for advisory accounts and/or any applicable brokerage account trade confirmation statements for a full disclosure of the applicable charges, fees and expenses. Your Financial Advisor will provide those documents to you upon request.

Benchmark indices and blends included in this material are for informational purposes only, are provided solely as a comparison tool and may not reflect the underlying composition and/or investment objective(s) associated with the account(s). Indices are unmanaged and not available for direct investment. Index returns do not take into account fees or other charges. Such fees and charges would reduce performance.

The performance data shown reflects past performance, which does not guarantee future results. Investment return and principal will fluctuate so that an investor's shares when redeemed may be worth more or less than original cost. Please note, current performance may be higher or lower than the performance data shown. For up to date month-end performance information, please contact your Financial Advisor or visit the funds' company website.

Investors should carefully consider the fund's investment objectives, risks, charges and expenses before

investing. The prospectus and, if available the summary prospectus, contains this and other information that should be read carefully before investing. Investors should review the information in the prospectus carefully. To obtain a prospectus, please contact your Financial Advisor or visit the funds' company website.

Past performance is no guarantee of future results.

Investing involves market risk, including possible loss of principal. **Growth investing** does not guarantee a profit or eliminate risk. The stocks of these companies can have relatively high valuations. Because of these high valuations, an investment in a growth stock can be more risky than an investment in a company with more modest growth expectations. **Value investing** involves the risk that the market may not recognize that securities are undervalued and they may not appreciate as anticipated. **Small and mid-capitalization companies** may lack the financial resources, product diversification and competitive strengths of larger companies. The securities of small capitalization companies may not trade as readily as, and be subject to higher volatility than those of larger, more established companies. **Bond funds** and bond holdings have the same interest rate, inflation and credit risks that are associated with the underlying bonds owned by the funds. The return of principal in bond funds, and in funds with significant bond holdings, is not guaranteed. **International securities'** prices may carry additional risks, including foreign economic, political, monetary and/or legal factors, changing currency exchange rates, foreign taxes and differences in financial and accounting standards. International investing may not be for everyone. These risks may be magnified in emerging markets. **Alternative investments**, including private equity funds, real estate funds, hedge funds, managed futures funds, and funds of hedge funds, private equity, and managed futures funds, are speculative and entail significant risks that can include losses due to leveraging or other speculative investment practices, lack of liquidity, volatility of returns, restrictions on transferring interests in a fund, potential lack of diversification, absence and/or delay of information regarding valuations and pricing, complex tax structures and delays in tax reporting, less regulation and higher fees than mutual funds and risks associated with the operations, personnel and processes of the advisor. **Master Limited Partnerships** (MLPs) are limited partnerships or limited liability companies that are taxed as partnerships and whose interests (limited partnership units or limited liability company units) are traded on securities exchanges like shares of common stock. Currently, most MLPs operate in the energy, natural resources or real estate sectors. Investments in MLP interests are subject to the risks generally applicable to companies in the energy and natural resources sectors, including commodity pricing risk, supply and demand risk, depletion risk and exploration risk; and MLP interests in the real estate sector are subject to special risks, including interest rate and property value fluctuations, as well as risks related to general and economic conditions. Because of their narrow focus, MLPs maintain exposure to price volatility of commodities and/or underlying assets and tend to be more volatile than investments that diversify across many sectors and companies. MLPs are also subject to additional risks including: investors having limited control and rights to vote on matters affecting the MLP, limited access to capital, cash flow risk, lack of liquidity, dilution risk, conflict of interests, and limited call rights related to acquisitions.

Mortgage backed securities also involve prepayment risk, in that faster or slower prepayments than expected on underlying mortgage loans can dramatically alter the yield-to-maturity of a mortgage-backed security and prepayment risk includes the possibility that a fund may invest the proceeds at generally lower interest rates.

Tax managed funds may not meet their objective of being tax-efficient.

Real estate investments are subject to special risks, including interest rate and property value fluctuations, as well as risks related to general and economic conditions. **High yield** fixed income securities, also known as "junk bonds", are considered speculative, involve greater risk of default and tend to be more volatile than

investment grade fixed income securities.

Credit quality is a measure of a bond issuer's creditworthiness, or ability to repay interest and principal to bondholders in a timely manner. The credit ratings shown are based on security rating as provided by Standard & Poor's, Moody's and/or Fitch, as applicable. Credit ratings are issued by the rating agencies for the underlying securities in the fund and not the fund itself, and the credit quality of the securities in the fund does not represent the stability or safety of the fund. Credit ratings shown range from AAA, being the highest, to D, being the lowest based on S&P and Fitch's classification (the equivalent of Aaa and C, respectively, by Moody's). Ratings of BBB or higher by S&P and Fitch (Baa or higher by Moody's) are considered to be investment grade-quality securities. If two or more of the agencies have assigned different ratings to a security, the highest rating is applied. Securities that are not rated by all three agencies are listed as "NR".

"Alpha tilt strategies comprise a core holding of stocks that mimic a benchmark type index such as the S&P 500 to which additional securities are added to help tilt the fund toward potentially outperforming the market in an effort to enhance overall investment returns. Tilt strategies are subject to significant timing risk and could potentially expose investors to extended periods of underperformance."

Custom Account Index: The Custom Account Index is an investment benchmark based on your historical target allocations and/or manager selection that you may use to evaluate the performance of your account. The Custom Account index does take into consideration certain changes that may have occurred in your portfolio since the inception of your account, i.e., asset class and/or manager changes. However, in some circumstances, it may not be an appropriate benchmark for use with your specific account composition. For detailed report of the historical composition of this blend please contact your Financial Advisor.

Peer Groups

Peer Groups are a collection of similar investment strategies that essentially group investment products that share the same investment approach. Peer Groups are used for comparison purposes to compare and illustrate a client's investment portfolio versus its peer across various quantitative metrics like performance and risk. Peer Group comparison is conceptually another form of benchmark comparison whereby the actual investment can be ranked versus its peer across various quantitative metrics.

All Peer Group data are provided by Investment Metrics, LLC.

The URL below provides all the definitions and methodology about the various Peer Groups

<https://www.invmetrics.com/style-peer-groups>

Peer Group Ranking Methodology

A percentile rank denotes the value of a product in which a certain percent of observations fall within a peer group. The range of percentile rankings is between 1 and 100, where 1 represents a high statistical value and 100 represents a low statistical value.

The 30th percentile, for example, is the value in which 30% of the highest observations may be found, the 65th percentile is the value in which 65% of the highest observations may be found, and so on.

Percentile rankings are calculated based on a normalized distribution ranging from 1 to 100 for all products in each peer group, where a ranking of 1 denotes a high statistical value and a ranking of 100 denotes a low statistical value. It is important to note that the same ranking methodology applies to all statistics, implying

that a ranking of 1 will always mean highest value across all statistics.

For example, consider a risk/return assessment using standard deviation as a measure of risk. A percentile ranking equal to 1 for return denotes highest return, whereas a percentile ranking of 1 for standard deviation denotes highest risk among peers.

In addition, values may be used to demonstrate quartile rankings. For example, the third quartile is also known as the 75th percentile, and the median is the 50th percentile.

Alternatives

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Alternatives may be either traditional alternative investment vehicles or non-traditional alternative strategy vehicles. Traditional alternative investment vehicles may include, but are not limited to, Hedge Funds, Fund of Funds (both registered and unregistered), Exchange Funds, Private Equity Funds, Private Credit Funds, Real Estate Funds, and Managed Futures Funds. Non-traditional alternative strategy vehicles may include, but are not limited to, Open or Closed End Mutual Funds, Exchange-Traded and Closed-End Funds, Unit Investment Trusts, exchange listed Real Estate Investment Trusts (REITs), and Master Limited Partnerships (MLPs). These non-traditional alternative strategy vehicles also seek alternative-like exposure but have significant differences from traditional alternative investment vehicles. Non-traditional alternative strategy vehicles may behave like, have characteristics of, or employ various investment strategies and techniques for both hedging and more speculative purposes such as short-selling, leverage, derivatives, and options, which can increase volatility and the risk of investment loss. Characteristics such as correlation to traditional markets, investment strategy, and market sector exposure can play a role in the classification of a traditional security being classified as alternative.

Traditional alternative investment vehicles are illiquid and usually are not valued daily. The estimated valuation provided will be as of the most recent date available and will be included in summaries of your

assets. Such valuation may not be the most recent provided by the fund in which you are invested. No representation is made that the valuation is a market value or that the interest could be liquidated at this value. We are not required to take any action with respect to your investment unless valid instructions are received from you in a timely manner. Some positions reflected herein may not represent interests in the fund, but rather redemption proceeds withheld by the issuer pending final valuations which are not subject to the investment performance of the fund and may or may not accrue interest for the length of the withholding. Morgan Stanley does not engage in an independent valuation of your alternative investment assets. Morgan Stanley provides periodic information to you including the market value of an alternative investment vehicle based on information received from the management entity of the alternative investment vehicle or another service provider.

Traditional alternative investment vehicles often are speculative and include a high degree of risk. Investors should carefully review and consider potential risks before investing. Certain of these risks may include but are not limited to:

- Loss of all or a substantial portion of the investment due to leveraging, short-selling, or other speculative practices;
- Lack of liquidity in that there may be no secondary market for a fund;
- Volatility of returns;
- Restrictions on transferring interests in a fund;
- Potential lack of diversification and resulting higher risk due to concentration of trading authority when a single advisor is utilized;
- Absence of information regarding valuations and pricing;
- Complex tax structures and delays in tax reporting;
- Less regulation and higher fees than mutual funds; and
- Risks associated with the operations, personnel, and processes of the manager.

As a diversified global financial services firm, Morgan Stanley Wealth Management engages in a broad spectrum of activities including financial advisory services, investment management activities, sponsoring and managing private investment funds, engaging in broker-dealer transactions and principal securities, commodities and foreign exchange transactions, research publication, and other activities. In the ordinary course of its business, Morgan Stanley Wealth Management therefore engages in activities where Morgan Stanley Wealth Management's interests may conflict with the interests of its clients, including the private investment funds it manages. Morgan Stanley Wealth Management can give no assurance that conflicts of interest will be resolved in favor of its clients or any such fund.

Indices are unmanaged and investors cannot directly invest in them. Composite index results are shown for illustrative purposes and do not represent the performance of a specific investment. Past performance is no guarantee of future results. Actual results may vary. Diversification does not assure a profit or protect against loss in a declining market. Any performance or related information presented has not been adjusted to reflect the impact of the additional fees paid to a placement agent by an investor (for Morgan Stanley placement clients, a one-time upfront Placement Fee of up to 3%, and for Morgan Stanley investment advisory clients, an annual advisory fee of up to 2.5%), which would result in a substantial reduction in the returns if such fees were incorporated.

For most investment advisory clients, the program account will be charged an asset-based wrap fee every quarter ("the Fee"). In general, the Fee covers investment advisory services and reporting. In addition to the Fee, clients will pay the fees and expenses of any funds in which their account is invested. Fund fees and expenses are charged directly to the pool of assets the fund invests in and impact the valuations. Clients must understand that these fees and expenses are an additional cost and will not be included in the Fee amount in the account statements.

As fees are deducted quarterly, the compounding effect will be to increase the impact of the fees by an amount directly related to the gross account performance. For example, for an account with an initial value of \$100,000 and a 2.5% annual fee, if the gross performance is 5% per year over a three year period, the compounding effect of the fees will result in a net annual compound rate of return of approximately 2.40% per year over a three year period, and the total value of the client's portfolio at the end of the three year period would be approximately \$115,762.50 without the fees and \$107,372.63 with the fees. Please see the applicable Morgan Stanley Smith Barney LLC Form ADV Part 2A for more information including a description of the fee schedule. It is available at www.morganstanley.com/ADV <<http://www.morganstanley.com/ADV>> or from your Financial Advisor/Private Wealth Advisor.

Alternative investments involve complex tax structures, tax inefficient investing, and delays in distributing important tax information. Individual funds have specific risks related to their investment programs that will

vary from fund to fund. Clients should consult their own tax and legal advisors as Morgan Stanley does not provide tax or legal advice. Interests in alternative investment products are offered pursuant to the terms of the applicable offering memorandum, are distributed by Morgan Stanley Smith Barney LLC and certain of its affiliates, and (1) are not FDIC-insured, (2) are not deposits or other obligations of Morgan Stanley or any of its affiliates, (3) are not guaranteed by Morgan Stanley and its affiliates, and (4) involve investment risks, including possible loss of principal. Morgan Stanley Smith Barney LLC is a registered broker-dealer, not a bank.

SIPC insurance does not apply to precious metals, other commodities, or traditional alternative investments.

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Money Market Funds

You could lose money in Money Market Funds. Although MMFs classified as government funds (i.e., MMFs that invest 99.5% of total assets in cash and/or securities backed by the U.S. government) and retail funds (i.e., MMFs open to natural person investors only) seek to preserve value at \$1.00 per share, they cannot guarantee they will do so. The price of other MMFs will fluctuate and when you sell shares they may be worth more or less than originally paid. MMFs may impose a fee upon sale or temporarily suspend sales if liquidity falls below required minimums. During suspensions, shares would not be available for purchases, withdrawals, check writing or ATM debits. A MMF investment is not insured or guaranteed by the Federal Deposit Insurance Corporation or other government agency.

City of Galveston Employees' Retirement Plan

COMPILED FINANCIAL STATEMENTS
For the Three Months and Six Months Ended
June 30, 2020

ACCOUNTANTS' COMPILATION REPORT

To the Board of Directors
City of Galveston Employees' Ret Plan
Galveston, TX 77550

Management is responsible for the accompanying financial statements of City of Galveston Employees' Ret Plan (a Texas, non-profit organization), which comprise the Statement of Net Assets Available for Benefits- tax basis as of June 30, 2020, and the related Statement of Changes in Net Assets Available for Benefits- tax basis for the three months and six months then ended in accordance with the tax basis of accounting, and for determining that the tax basis of accounting is an acceptable financial reporting framework. We have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. We did not audit or review the financial statements nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, we do not express an opinion, a conclusion, nor provide any form of assurance on these financial statements.

The financial statements are prepared in accordance with the tax basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

Management has elected to omit substantially all of the disclosures ordinarily included in the financial statements prepared in accordance with the tax basis of accounting. If the omitted disclosures were included in the financial statements, they might influence the user's conclusions about the company's assets, liabilities, equity, revenues and expenses. Accordingly, these financial statements are not designed for those who are not informed about such matters.

We are not independent with respect to City of Galveston Employees' Ret Plan as we perform monthly administrative duties for the plan.

Ham, Langston, & Brezina
Galveston, TX

July 22, 2020

City of Galveston Employees' Retirement Plan
Net Assets Available for Benefits
As of June 30, 2020

ASSETS

MNB - Trust 300		\$ 0.00
MNB - MM - Act 300		1,308,880.12
Accrued dividends & interest		10,301.77
Investments at FMV		
Int'l Fixed Income Mutual Funds	2,235,008.08	
Market values adj - Int'l Fixed Income Mutual Funds	(192,183.80)	
Investments - Equity Funds	27,901,483.12	
Market value adj - Equity Funds	8,615,957.60	
Fixed Income Funds	12,805,631.55	
Market value adj - Fixed Income Funds	483,445.47	
Private Equity Funds	1,294,629.93	
Market value adj - Private Equity Funds	(26,135.28)	
Total Investments		<u>53,117,836.67</u>
TOTAL ASSETS		\$ <u><u>54,437,018.56</u></u>

LIABILITIES

Withholding payable	\$ <u>17,326.97</u>
TOTAL LIABILITIES	<u>17,326.97</u>
NET ASSETS HELD IN TRUST FOR BENEFIT OBLIGATION	\$ <u><u>54,419,691.59</u></u>

Bal 6/30/19

54,555,300

City of Galveston Employees' Retirement Plan
Statement of Changes in Net Assets
Available for Benefits
For the Three Months and Six Months Ending June 30, 2020

	3 Months Ended June 30, 2020	6 Months Ended June 30, 2020	6/30/19
ADDITIONS:			
Contributions			
Contributions - City	\$ 648,991.27	\$ 1,227,882.05	121,202.25
Contributions - Employees	432,661.58	818,589.26	808,018.19
Total contributions	<u>1,081,652.85</u>	<u>2,046,471.31</u>	202,204.44
Investment income			
Realized Gain on Sale of Investment	0.00	0.00	
Net gain/(loss) in Fair Market Value	6,270,269.77	(3,307,060.05)	
Capital Gain Distributions	0.00	0.00	
	<u>6,270,269.77</u>	<u>(3,307,060.05)</u>	
Other income	0.00	373.39	
Dividends	272,524.71	519,814.74	
Capital gain distributions	58,677.00	58,677.00	
Total Other Income	<u>331,201.71</u>	<u>578,865.13</u>	
Total Investment Income/(loss)	6,601,471.48	(2,728,194.92)	650,918.44
Less: Investment expense			
Manager expense	(16,637.15)	(36,657.02)	(35,227.77)
Total investment expense	<u>(16,637.15)</u>	<u>(36,657.02)</u>	
TOTAL ADDITIONS	7,666,487.18	(718,380.63)	8,494,00.00
DEDUCTIONS:			
Retirement benefits	847,408.77	1,689,580.17	
Benefits - non-taxable	2,320.01	4,699.86	
Survivor benefits	78,927.42	157,854.84	
Survivor benefits - non-taxable	488.34	976.68	
Disability benefits	8,161.26	16,342.52	237,101.00
Disability benefits - non-taxable	18.27	36.54	
Rollover benefits	0.00	45,519.98	
Lumpsum benefits	57,893.64	369,924.12	
Actuarial fees	450.00	7,296.50	7510.00
Custodial services	9,000.00	18,000.00	18000.00
Dues and fees	0.00	0.00	
Insurance	4,750.00	4,750.00	
Investment Mgmt Evaluation	14,700.00	14,700.00	
Legal fees	1,090.00	1,090.00	9093.00
Audit fees	8,846.00	8,846.00	
Accounting fees	(7,050.00)	20,215.00	47325.00
TOTAL DEDUCTIONS	<u>1,027,003.71</u>	<u>2,359,832.21</u>	245,303.00
Net increase/(decrease)	\$ <u>6,639,483.47</u>	\$ <u>(3,078,212.84)</u>	604,097.22

See Accountant's Compilation Report