

SRP | Strategic
Retirement
Partners™
Relax...We'll Take It From Here.

INVESTMENT PRACTICES AND PERFORMANCE EVALUATION

for



CORPUS CHRISTI REGIONAL
TRANSPORTATION AUTHORITY

Contents

Executive Summary	3
Objective 1: Investment Policy Statement Review	6
Objective 2a: Process for determining target allocations	6
Objective 2b: Expected risk and expected rate of return, categorized by asset class.....	9
Objective 2c: Selection and valuation of alternative and illiquid assets.....	12
Objective 2d: Future cash flow and liquidity needs.....	15
Objective 3: Appropriateness of investment fees and commissions.....	17
Objective 4: Governance Review	19
Objective 5: Investment manager selection and monitoring process.....	22
Disclosure by Independent Firm	25

Executive Summary

SRP understands the unique challenges in the public defined benefit plan arena, especially in light of COVID-19. The challenges in the real economy include tax receipts are down, state taxes are down, gas receipts are down, corporate taxes are down and real income is down, all leading to expectations that funding status will be a problem for a long time. In addition, there has been an early retirement boom due to COVID. Some individuals have retired earlier than anticipated for personal reasons, others close to retirement age have decided to lock in their retirement now as the market has recovered and public safety workers and educators are retiring earlier than initially planned.

The result of these changes is that plan assumptions may not match current reality and that public employers may be challenged to make their pension contributions.

SRP began work on the independent review project in early October 2020 with the full support of the Corpus Christi Regional Transportation Authority Board and internal staff. The cooperation and speed of delivery of requested materials from internal staff, the actuary and the investment manager has been extraordinary. Without this support and project prioritization, we could not have met the deadline.

We have been impressed by the diligence and dedication of the internal staff in their leadership and stewardship of the pension plan. The organization takes their responsibilities to the participants, retirees and beneficiaries of the pension plan very seriously and is dedicated to maintaining the strength of their plan.

Overall, after review of all of the documents, policies, minutes, performance reports, outside sources and our experience with similar plans it is our opinion that the Board, internal staff, hired investment manager and hired actuary are meeting their responsibilities.

We do make several recommendations for consideration, in light of the challenges facing public pensions due to the real economic impact of COVID 19 in 2020 and beyond. We appreciate the opportunity to share our experience and work together toward the common goal of maintaining healthy and sustainable pensions for the future.

Sincerely,



Lisa Petronio



Shannon Maloney



Ann-Marie Sepuka

The scope of the Corpus Christi Regional Transit Authority Investment Practices and Performance Evaluation includes review of the following objectives, in accordance with the Texas Pension Review Board standards:

Components of Evaluation	Evaluation Findings & Recommendations
<p>Objective 1: Investment Policy Statement Review</p>	<p><i>Findings:</i></p> <ul style="list-style-type: none"> • Investment Policy Statement is signed, followed and reviewed occasionally. • Board, internal staff and external consultants are adhering to the established policies. <p><i>Recommendation:</i></p> <ul style="list-style-type: none"> • Review and revise the Investment Policy Statement to reflect current plan governance structure, updated actuarial assumptions, revised long-term return on asset number, capital markets assumptions, add risk measures and add monitoring/replacement criteria. Expense monitoring and the timing of such monitoring should be included in the investment policy statement.
<p>Objective 2: Investment asset allocation review, including: (a) the process for determining target allocations; (b) the expected risk and expected rate of return, categorized by asset class; (c) the appropriateness of selection and valuation methodologies of alternative and illiquid assets; and (d) future cash flow and liquidity needs.</p>	<p><i>Findings:</i></p> <ul style="list-style-type: none"> • IPS determines the strategic allocation, the investment manager determines the target asset class allocations and reviews target allocations monthly. • The portfolio risk is measured by standard deviation and the expected return forecast is provided by Wells Fargo Investment Institute quarterly. • Alternative investments are valued daily. • Cash needs are met with short term bond fund. <p><i>Recommendation:</i></p> <ul style="list-style-type: none"> • The portfolio's assumed rate of return, capital markets assumptions, risk assumptions and liability profile should determine the strategic asset allocation and target allocations. Incorporate system-specific issues into the asset allocation process -funded status, short term inflows and projected benefit payments. Recommend that projected benefit payments are incorporated into cash allocation and current strategic cash allocation be modified to reflect system-specific needs.
<p>Objective 3: Appropriateness of investment fees and commissions</p>	<p><i>Findings:</i></p> <ul style="list-style-type: none"> • Individual fund expense ratios and average asset class costs are disclosed in the performance summary of the WF Quarterly Performance Report. • Total Portfolio fees of 0.59% are lower than other plans of similar size and asset allocation. <p><i>Recommendations:</i></p> <ul style="list-style-type: none"> • Benchmark all fees to the market to document appropriateness (RTA has outsourced an extensive plan benchmarking to Findley Special Project Group for 2021).

Objective 4: Governance Review	<p><i>Findings:</i></p> <ul style="list-style-type: none">• Sound policies and procedures have been established and followed. <p><i>Recommendations:</i></p> <ul style="list-style-type: none">• Facilitate strategic planning related to the pension with the investment manager, actuary, internal staff and board members.• Maintain board member accountability to completed PRB minimum required training and continuing education.• Update the website with pension documentation at least annually.
Objective 5: Investment manager selection and monitoring process	<p><i>Findings:</i></p> <ul style="list-style-type: none">• Have a process for investment selection and monitoring that has been followed.• Outsourced benchmarking to outside party and are currently conducting an investment manager benchmarking for completion in 2021.• Monitor portfolio and individual expense ratios quarterly and compare to asset class benchmarks quarterly. <p><i>Recommendations:</i></p> <ol style="list-style-type: none">1. Document the manager selection, monitoring and replacement process currently utilized by Wells Fargo Global Research and implemented by the Wells Fargo Relationship Manager.

Objective 1: Investment Policy Statement Review

Documents reviewed:

- Investment Policy Statement adopted 8.1.2012, recertified October 2016, signed August 2017
- Administration & Finance Committee Meeting Minutes 06.24.2020, 08.26.2020
- Board of Directors Meeting Minutes 02.05.2020, 09.25.2020
- WF Performance Report 3.31.2020, 6.30.2020 and 9.30.2020
- Pension Plan Funding Policy 9.5.2020 posted on RTA website

Finding details:

- The system has a formal written “Statement of Investment Policy” (IPS) and has hired Wells Fargo Investment Management to manage the portfolio according to the IPS.
- The IPS clearly outlines and includes roles of the Board of Directors and RTA Audit, Finance, Health and Pension Subcommittee.
- The IPS is written clearly and follows industry best practices. The hired investment manager is able to manage the portfolio to the stated investment objectives and asset allocation.
- Quarterly performance reports and board meeting minutes provide evidence that the system is following the IPS, the asset allocation mix, the rebalancing parameters and the asset class selection.
- The stated investment objectives are being met.
- The IPS includes language regarding fund and investment objectives, absolute return and risk parameters.
- Asset classes listed include Money Market, Fixed Income, Large Cap Value and Growth, Mid and Small Cap Blend, International Equity, REITs and Diversified Commodities.
- IPS states the absolute rate of return to be 7.5% over a market cycle (defined as 3-5 years).
- The policy is reviewed periodically, and the last change was in January 2014 when the aggregate portfolio benchmark was changed to be more in line with the underlying investment mix.

Considerations:

- Review and revise the IPS and incorporate system specific criteria such as current funded status, liquidity needs for benefit payments and the difference between short-term inflows and outflows and the revised long-term return on asset number, current capital markets assumptions and add risk measures and monitoring and replacement criteria.
- Include selection, monitoring and replacement criteria within the IPS.
- Include committee’s procedures for monitoring expenses.
- Periodically stress test the portfolio based on capital market assumptions for 10, 20 and 30 years to determine if the retirement fund can commit to the policies in the IPS.

Objective 2a: Process for Determining Target Allocations

Documents reviewed:

- WF Performance Report 3.31.2020, 6.30.2020 and 9.30.2020
- CCRTA Employee Defined Benefit Plan Statement of Investment Policy adopted 8.1.2012; reaffirmed 2017
- Findley CCRTA Actuarial Review 5.22.2019
- Findley CCRTA GASB Actuarial Report 12.31.2019

- Findley 2019 Actuarial Report 12.31.2019
- CCRTA Board of Directors Meeting Minutes 2.05.2020
- Interview with M. Sandy Roddel & Robert Saldaña, CCRTA and Maggie Cauffiel, Findley (October 5)
- Interview with Lisa Keckler & Chris Koeller, Wells Fargo and Maggie Cauffiel, Findley (October 8)

Finding details:

- The system has a formal written “Statement of Investment Policy” (IPS) and has hired Wells Fargo Investment Management to manage the portfolio according to the IPS.
- Wells Fargo has been hired as a discretionary trustee to implement the strategic asset allocation portfolio determined by Corpus Christi Regional Transportation Authority (“CCRTA”).
- Wells Fargo Investment Institute uses their analytics to express the Portfolio’s risk tolerance as standard deviation. Risk is measured on 3 and 5-year basis for the portfolio as a whole and each underlying fund.
- The strategic allocation is reviewed every 3-5 years by Wells Fargo.
- The investment manager and the actuary communicate at least annually regarding cash flows and expected returns.
- The assumed rate of return stated in the IPS drives the asset allocation decisions. Wells Fargo attempts to match the assumed rate of return to capital market assumptions and then creates the underlying portfolio.
- Wells Fargo Investment Institute follows their own internal methodology to create the portfolio using the IPS stated strategic allocation and assumed rate of return. This process is a Top Down process and driven by Wells Fargo Investment Institute. The institute publishes tactical recommendations monthly and these recommendations are modified by Wells Fargo Relationship Managers to apply to institutional clients.
- The investment manager does employ a slight tactical overlay for the asset allocation at the portfolio construction level. The investment manager has stayed within the target allocations of the portfolio as defined by the IPS. Currently, the portfolio has a tactical overweight to fixed income 3% and an underweight of 4.1% to small cap. The equity portfolio is more growth focused versus value.
- Please see the chart below for comparisons to peer systems.

Portfolio Asset Allocation

	Goal Asset Allocation	Target +/-
Equity	60%	+/- 10%
Fixed Income	38%	+12%/- 11%
Cash/Cash Equivalents	2%	+1%
	Goal Asset Allocation	Current Asset Allocation
US Equity	40%	38.7%
International Equity	15%	13.3%
US Fixed Income	38%	41.5%
International Fixed Income	0%	0%
Cash/Cash Equivalents	2%	2%
Other	5%	4.5%

[illegible]

Peer System	Equity	Fixed Income	Long Term Rate of Return
Corpus Christi Regional Transportation Authority	60%	40%	7.4%
Capital Metropolitan Transit Authority Plan 1	75%	25%	7.25%
VIA San Antonio	70%	30%	7.5%
Capital Metropolitan Transit Authority Plan 2	70%	30%	7.25%
Metropolitan Transit Authority (Houston Metro)	65%	35%	6.75%
Dallas Area Rapid Transit	60%	40%	6.75%

Considerations:

- Recommend that the asset allocation policy take into the account the current funded status of the plan, the liability profile of the plan, the assumed rate of return projected decreases to 7.0% over the next 4 years, and the risk assumptions.
- Review Asset Allocation mandate within the Investment Policy Statement and consider widening asset allocation corridors to align better with current Capital Market Assumptions and new Long-Term Return on Asset Assumptions as reported in the Findley Actuarial Review 05.22.2019.
- Recommend a review of asset allocation in peer systems.

Objective 2b: Expected Risk and Expected Rate of Return, Categorized by Asset Class

Documents reviewed:

- WF Performance Report 3.31.2020, 6.30.2020 and 9.30.2020
- CCRTA Employee Defined Benefit Plan Statement of Investment Policy Adopted August 1, 2012 reaffirmed 2017
- Findley CCRTA Actuarial Review 5.22.2019
- Findley CCRTA GASB Actuarial Report 12.31.2019
- Findley 2019 Actuarial Report 12.31.2019
- CCRTA Board of Directors Meeting Minutes February 5, 2020
- Interview with M. Sandy Roddel & Robert Saldaña, CCRTA and Maggie Cauffiel, Findley (October 5)
- Interview with Lisa Keckler & Chris Koeller, Wells Fargo and Maggie Cauffiel, Findley (October 8)
- Horizon 2020 Capital Market Assumptions, reflecting 39 investment manager expectations

Finding details:

- The strategic asset allocation is 60% Equity and 40% Fixed Income. The tactical allocations are illustrated in the chart below.
- Wells Fargo Investment Institute measures risk using both 3- and 5-year standard deviation.
- Wells Fargo Investment Institute provides expected return forecasts (current and YE 2020 and 2021 targets) in each quarterly report. Wells Fargo expects to achieve these returns over a market cycle defined in the Investment Policy Statement of 3-5 years.

- To achieve the plan's stated return on assets, the plan utilizes a diversified investment portfolio including most of the US Equity asset classes, International- developed and emerging markets, and a Core Fixed Income bond portfolio.
- The investment manager employs an active and passive approach to portfolio management. Passive/Index funds are utilized in the following asset classes: Large Cap Blend, Mid Cap Blend and International Core Blend.
- The approach used by the system is to delegate the asset allocation strategy to Wells Fargo Investment Institute. This approach is sound, consistent with best practices to hire a prudent expert and has resulted in a well-diversified portfolio.
- Strategic allocation is reviewed by Wells Fargo every 3-5 years and tactical allocations are reviewed by the investment manager monthly and rebalanced as needed. The last rebalance occurred in September 2020.

Portfolio Construction:

Asset Class	Goal Portfolio	Current Portfolio	Structure- Mutual Fund, Collective Trust, ETF
US Large Cap Value	5.0%	5.7%	Collective Trust- Subadvised
US Large Cap Blend	10.0%	11.1%	Passive Mutual Fund
US Large Cap Growth	5.0%	6.0%	Collective Trust- Subadvised
US Mid Cap Value	0%	0%	
US Mid Cap Blend	10.0%	9.9%	Collective Trust- Subadvised
US Mid Cap Growth	0%	0%	
US Small Cap Value	0%	0%	
US Small Cap Blend	10.0%	5.9%	Collective Trust- Subadvised
US Small Cap Growth	0%	0%	
International	15.0%	9.7%	Collective Trust- Subadvised & Mutual Funds Active and Passive
Emerging Markets	0%	3.6%	Mutual Fund
US Fixed Income-LDI	0%	0%	
US Fixed Income -Core	38.00%	41.5%	Collective Trust- Subadvised & Mutual Funds
US Fixed Income-Unconstrained	0%	0%	
US Fixed Income Short	0%	2%	Mutual Fund
Cash/Cash Equivalents	2%	0%	
Other	5%	4.5%	Mutual Fund (Exchange Traded REIT changed to mutual fund in Sept 2020)

Expected Risk and Return by Asset Class

Source: Horizon Consulting Survey of Capital Market Assumptions: 2020 – 10-year time horizon

Asset Class	Expected Return	Standard Deviation	Source
US Equity Large Cap	6.16%	16.22%	Horizon
US Equity Small/Mid Cap	6.85%	20.22%	Horizon
Non-US Equity Developed	6.80%	18.05%	Horizon
Non-US Equity Emerging	7.85%	24.23%	Horizon
US Corporate Bonds – Core	2.60%	5.47%	Horizon
US Corporate Bonds – Long	2.70%	10.16%	Horizon
US Corporate Bonds – High Yield	4.90%	9.75%	Horizon
Non-US Debt – Developed	1.39%	7.02%	Horizon
Non-US Debt – Emerging	5.16%	10.97%	Horizon
US Treasuries (Cash Equivalents)	1.56%	1.78%	Horizon
TIPS (Inflation-Protected)	1.98%	6.05%	Horizon
Real Estate	5.75%	16.84%	Horizon
Commodities	3.19%	17.60%	Horizon
Inflation	1.97%	1.70%	Horizon

Asset Class Returns as of 6.30.2020

Asset Class Returns

As of June 30, 2020

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	YTD
Best	Real Estate 35.57 %	Emerging Markets 39.38 %	Government Treasury 24.03 %	Emerging Markets 56.28 %	Real Estate 28.60 %	Government Treasury 29.93 %	Emerging Markets 18.23 %	Small Cap 38.82 %	Real Estate 31.76 %	Real Estate 4.23 %	Small Cap 21.25 %	Emerging Markets 37.28 %	Cash 1.86 %	Large Cap 31.49 %	Government Treasury 21.20 %
	Emerging Markets 32.18 %	Commodities 16.23 %	Intl Bonds 11.40 %	High Yield 56.28 %	Small Cap 26.85 %	Real Estate 9.24 %	Mid Cap 17.88 %	Mid Cap 33.50 %	Government Treasury 25.07 %	Large Cap 1.38 %	Mid Cap 20.74 %	Intl Stocks 25.03 %	Intermediate Bond 0.01 %	Mid Cap 26.20 %	Intermediate Bond 6.14 %
	Intl Stocks 26.34 %	Intl Bonds 11.30 %	Intermediate Bond 5.24 %	Mid Cap 37.36 %	Mid Cap 26.64 %	Intermediate Bond 7.84 %	Real Estate 17.59 %	Large Cap 32.39 %	Large Cap 13.69 %	Asset Allocation 1.28 %	High Yield 17.34 %	Large Cap 21.83 %	Intl Bonds -1.66 %	Real Estate 25.76 %	Intl Bonds 1.21 %
	Small Cap 18.17 %	Intl Stocks 11.17 %	Cash 1.80 %	Intl Stocks 31.78 %	Emerging Markets 18.88 %	Intl Bonds 5.93 %	Intl Stocks 17.32 %	Intl Stocks 22.78 %	Asset Allocation 10.62 %	Intermediate Bond 0.55 %	Large Cap 11.96 %	Mid Cap 16.24 %	Government Treasury -1.84 %	Small Cap 25.53 %	Asset Allocation 0.98 %
	Large Cap 15.79 %	Government Treasury 9.81 %	Asset Allocation -22.06 %	Real Estate 28.60 %	Commodities 16.83 %	Asset Allocation 4.69 %	Small Cap 16.35 %	Asset Allocation 17.56 %	Mid Cap 9.77 %	Cash 0.03 %	Commodities 11.77 %	Small Cap 14.65 %	High Yield -2.26 %	Asset Allocation 22.18 %	Cash 0.52 %
	High Yield 11.44 %	Mid Cap 7.98 %	High Yield 26.21 %	Small Cap 27.17 %	High Yield 15.24 %	High Yield 4.50 %	Large Cap 16.00 %	High Yield 7.39 %	Intermediate Bond 5.97 %	Intl Stocks -0.81 %	Emerging Markets 11.19 %	Asset Allocation 14.21 %	Asset Allocation -2.35 %	Intl Stocks 22.01 %	Large Cap -1.08 %
	Asset Allocation 11.12 %	Intermediate Bond 6.97 %	Small Cap -33.79 %	Large Cap 26.46 %	Large Cap 15.06 %	Large Cap 2.11 %	High Yield 15.44 %	Real Estate 1.86 %	Small Cap 4.89 %	Government Treasury -1.21 %	Asset Allocation 8.31 %	Intl Bonds 9.92 %	Large Cap -4.38 %	Emerging Markets 18.46 %	High Yield -4.73 %
	Mid Cap 10.32 %	Asset Allocation 6.22 %	Commodities -35.65 %	Commodities 18.91 %	Asset Allocation 12.13 %	Cash 0.06 %	Asset Allocation 11.31 %	Cash 0.06 %	High Yield 2.44 %	Mid Cap -2.18 %	Real Estate 7.24 %	Government Treasury 9.53 %	Real Estate -4.84 %	Government Treasury 14.83 %	Emerging Markets -9.78 %
	Intl Bonds 6.84 %	Large Cap 5.49 %	Mid Cap -36.23 %	Asset Allocation 18.40 %	Government Treasury 9.38 %	Mid Cap -1.73 %	Intermediate Bond 4.21 %	Intermediate Bond -2.02 %	Cash 0.02 %	Small Cap -4.41 %	Intermediate Bond 2.65 %	High Yield 7.48 %	Small Cap -11.01 %	High Yield 14.40 %	Intl Stocks -11.34 %
	Cash 4.76 %	Cash 4.74 %	Large Cap -37.00 %	Intermediate Bond 5.93 %	Intl Stocks 7.75 %	Small Cap -4.18 %	Government Treasury 3.56 %	Emerging Markets 2.60 %	Emerging Markets 2.19 %	High Yield -5.35 %	Intl Bonds 1.86 %	Real Estate 4.18 %	Mid Cap -11.08 %	Intermediate Bond 6.72 %	Mid Cap -12.78 %
	Intermediate Bond 6.34 %	High Yield 2.17 %	Real Estate -39.20 %	Intl Bonds 3.94 %	Intl Bonds 6.78 %	Intl Stocks -12.14 %	Intl Bonds 0.85 %	Intl Bonds -5.06 %	Intl Bonds -2.53 %	Government Treasury -4.84 %	Intermediate Bond 1.33 %	Commodities -11.25 %	Commodities -13.79 %	Commodities 7.69 %	Small Cap -12.98 %
	Commodities 2.07 %	Small Cap -1.57 %	Intl Stocks -43.38 %	Cash 0.16 %	Intermediate Bond 6.54 %	Commodities -13.32 %	Commodities 0.09 %	Commodities -9.52 %	Intl Stocks -4.90 %	Emerging Markets -14.92 %	Intl Stocks 1.00 %	Commodities 1.70 %	Intl Stocks -13.79 %	Intl Bonds 5.23 %	Real Estate -17.77 %
Worst	Government Treasury 1.85 %	Real Estate -17.55 %	Emerging Markets -53.33 %	Government Treasury -12.92 %	Cash 0.10 %	Emerging Markets -18.42 %	Commodities -1.06 %	Government Treasury -12.66 %	Commodities -17.01 %	Commodities -24.66 %	Cash 0.27 %	Cash 0.84 %	Emerging Markets -14.58 %	Cash 2.25 %	Commodities -19.40 %

The returns above reflect performance of certain indexes as defined below. This information is general in nature and is not intended to be reflective of any specific plan.
 Cash- FTSE 3 month T-bill, Government Treasury-BBbBarc Long Treasury, Commodities-Bloomberg Commodity Idx, Intermediate Bond-BBbBarc US Agg Bond Idx, High Yield Bond-ICE BofAML High Yield Idx,
 Intl Bonds-JPMorgan GBI Global ex U.S., Asset Allocation-portfolio assumes the following weights: 60% S&P 500 and 40% BBbBarc US Agg, Large Cap-S&P 500, Mid Cap - S&P Midcap 400, Small Cap-Russell
 2000, Intl Stocks-MSCI EAFE (net), Emerging Markets-MSCI EM (net), Real Estate-Wilshire U.S. REIT.

Considerations:

- Recommend that the portfolio allocation drive the assumed return for the portfolio.
- Incorporate system specific criteria into the strategic asset allocation, such as current funded status, liquidity needs for benefit payments, the difference between short-term inflows and outflows the revised long-term return on asset number, and current capital markets assumptions.
- Recommend reviewing the fixed income asset allocation and consider adding the ability to invest in additional fixed income categories such as unconstrained bond, Inflation protected bonds, high yield bond and liability driven investing funds to capture yield.

Objective 2c: Selection and Valuation of Alternative and Illiquid Assets

Documents reviewed:

- WF Performance Report 3.31.2020, 6.30.2020 and 9.30.2020
- CCRTA Employee Defined Benefit Plan Statement of Investment Policy Adopted August 1, 2012 reaffirmed 2017
- Interview with M. Sandy Roddel & Robert Saldaña, CCRTA and Maggie Cauffiel, Findley (October 5)
- Interview with Lisa Keckler & Chris Koeller, Wells Fargo and Maggie Cauffiel, Findley (October 8)

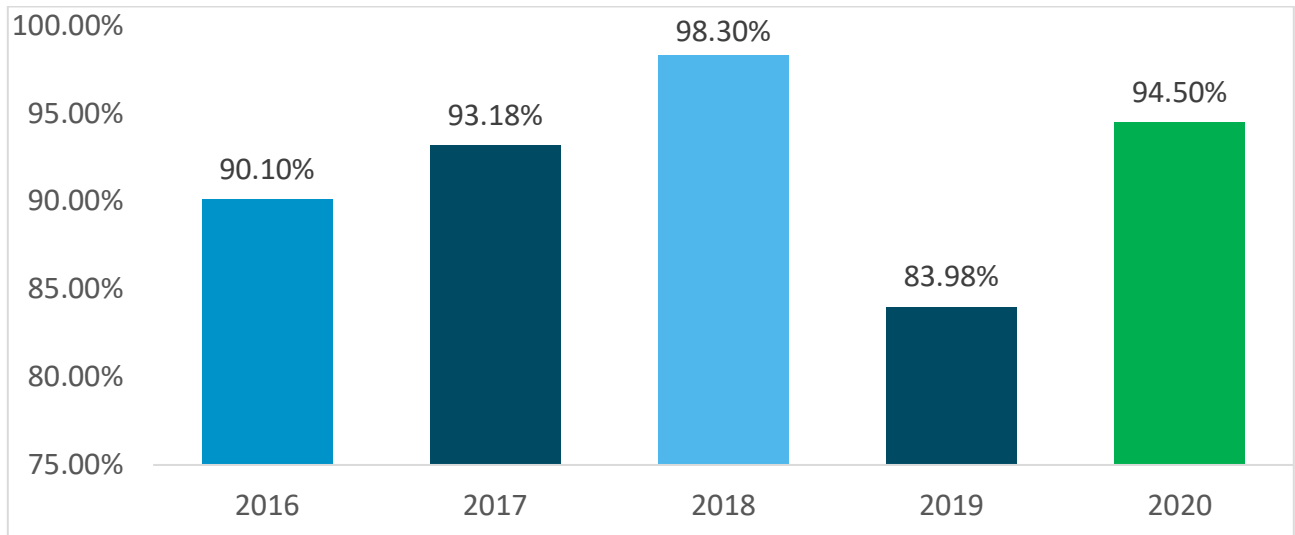
Finding details:

- The investment policy statement provides for the inclusion on REITs and Diversified Commodities in the Portfolio and the investment manager determines the percentage for investment in these alternative investments.
- The alternative investments were selected through the Wells Fargo Investment Institute and Global Research Group Investment Selection Process. The Global Manager Research Group evaluates all asset classes across the entire Wells Fargo Universe. The evaluation process is driven by data and includes both quantitative and qualitative measures to produce a select list. As favor or opinion about an asset class changes, it is communicated to all Wells Fargo Investment Team Members and may factor into changes at the client level.
- In September 2020, the Wells Fargo Relationship Manager made a change to the REIT and made the change from an exchange traded fund to a mutual fund.
- The alternative investments are value daily at Net Asset Value ("NAV"). Both funds are compared to their appropriate index and a specific fund fact sheet is included in each performance report.
- The investment in alternative investments is not inappropriate based upon the size of the portfolio.
- The current alternative investments are liquid, and the manager does not need to utilize alternative methodologies.

investment managers to deploy capital during favorable market conditions. If the staff's estimate is less than the actual contribution amount determined by the actuary, than an additional contribution with interest will be required later. If the estimate is higher than the actual, the excess amount will be applied to future years.

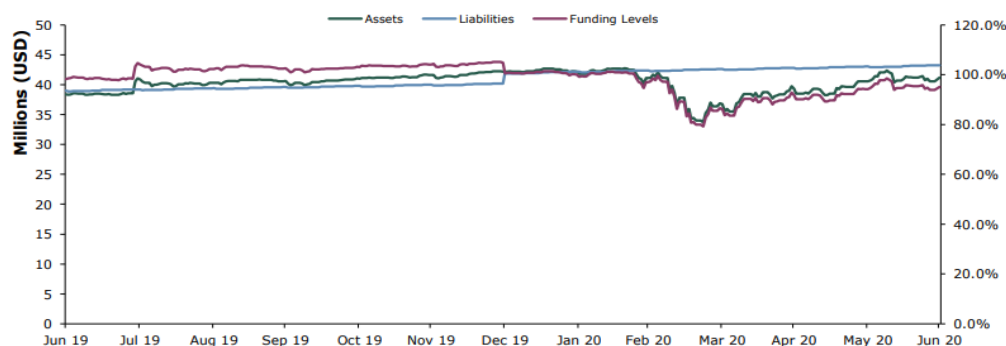
- The Benefit Payments for the next years ranges from \$2.4M in 2020 to \$3.6M in 2030 or a total of \$35M over the next 10 years. This is larger than in the past decade.
- A review of assets and liabilities occurred in 2019.

CCRTA Pension Plan Funding Percentage



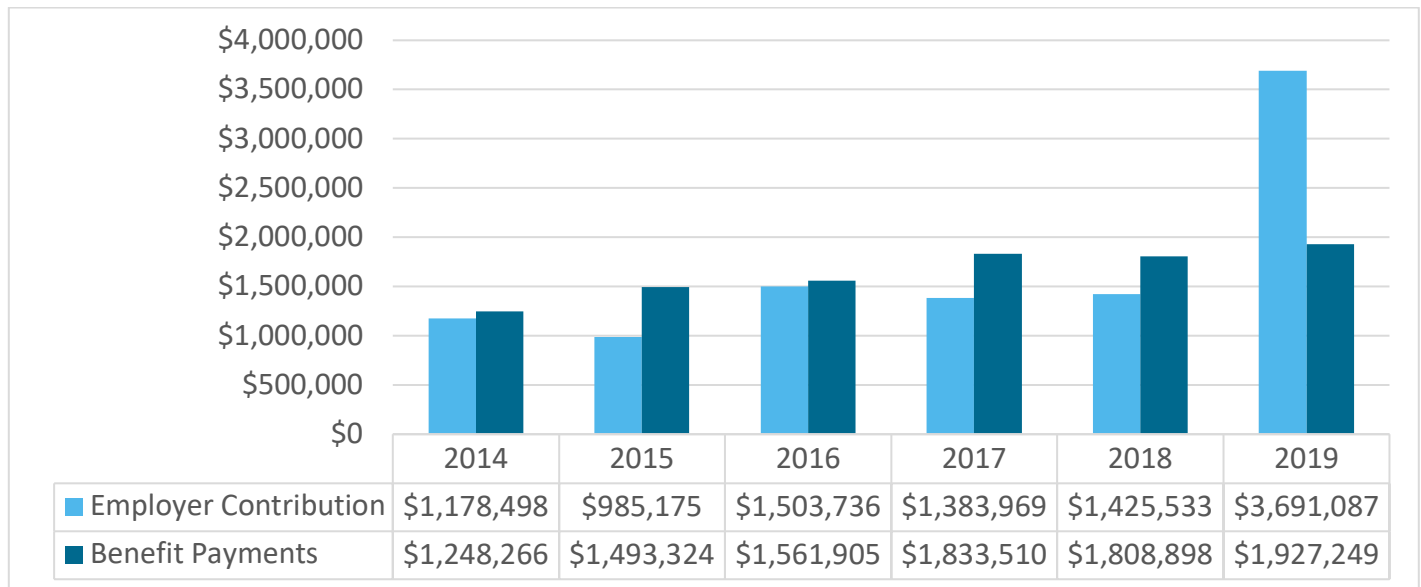
Funded Status

	6/30/2019	3/31/2020	6/30/2020	Quarter on Quarter Change	Year on Year Change
Assets (USD)	38,358,964	36,763,117	41,168,667	4,405,550	2,809,703
Liabilities (USD)	39,025,628	42,611,372	43,260,850	649,478	4,235,222
Surplus / Deficit (USD)	(666,664)	(5,848,256)	(2,092,183)	3,756,072	(1,425,519)
Funding level	98.29%	86.28%	95.16%	8.89%	(3.13%)
Single equivalent discount rate	7.404%	7.301%	7.302%	0.001%	(0.102%)

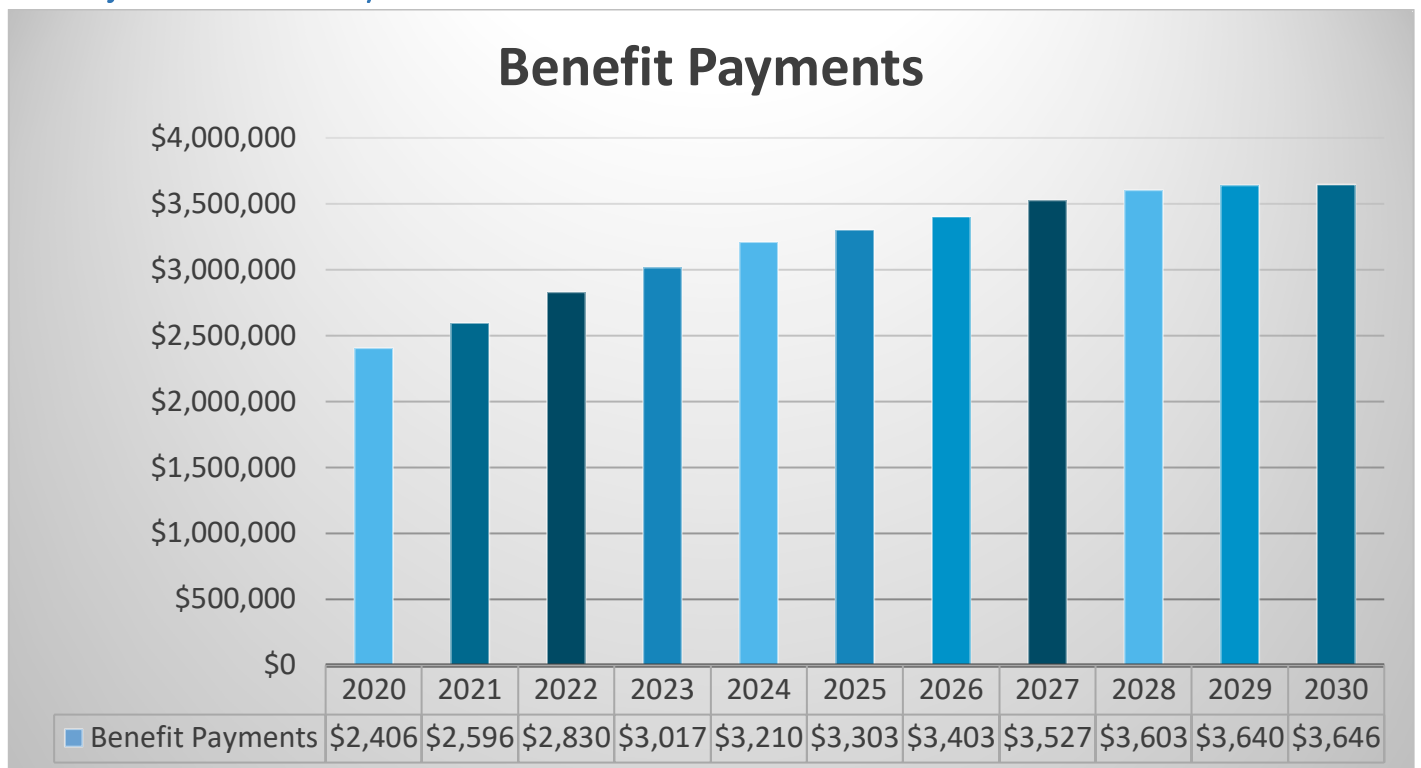


Source Wells Fargo Performance Report 6.20.2020

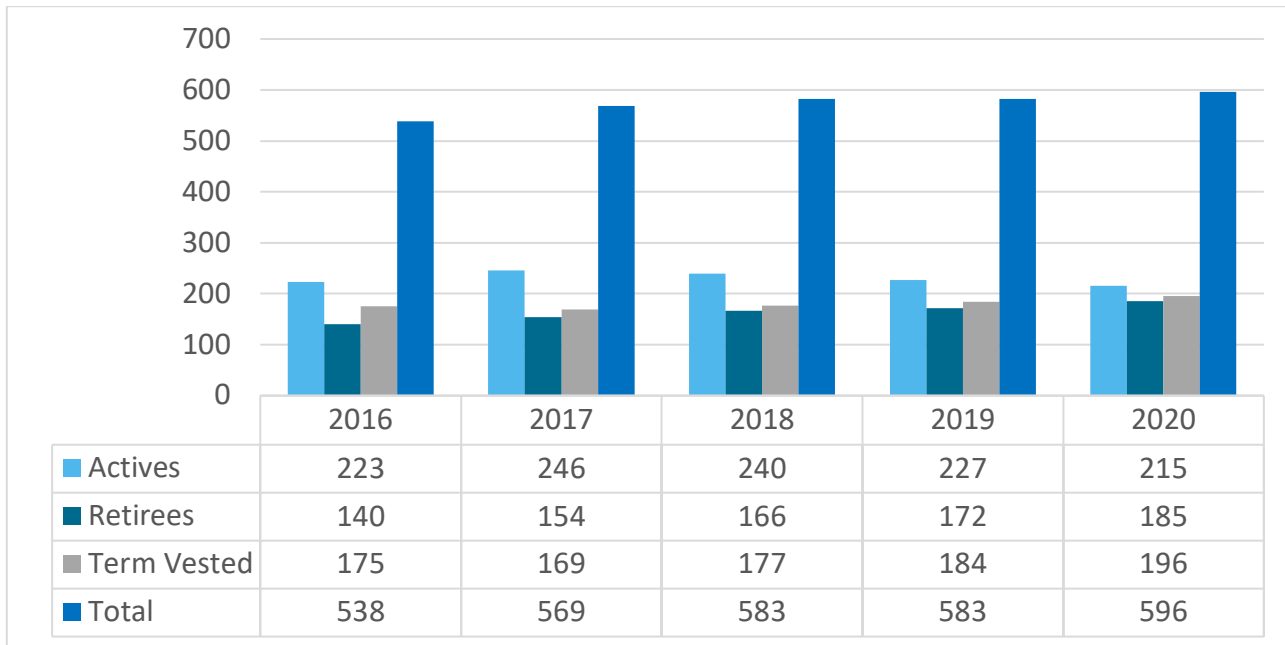
CCRTA Contributions vs Benefit Payments



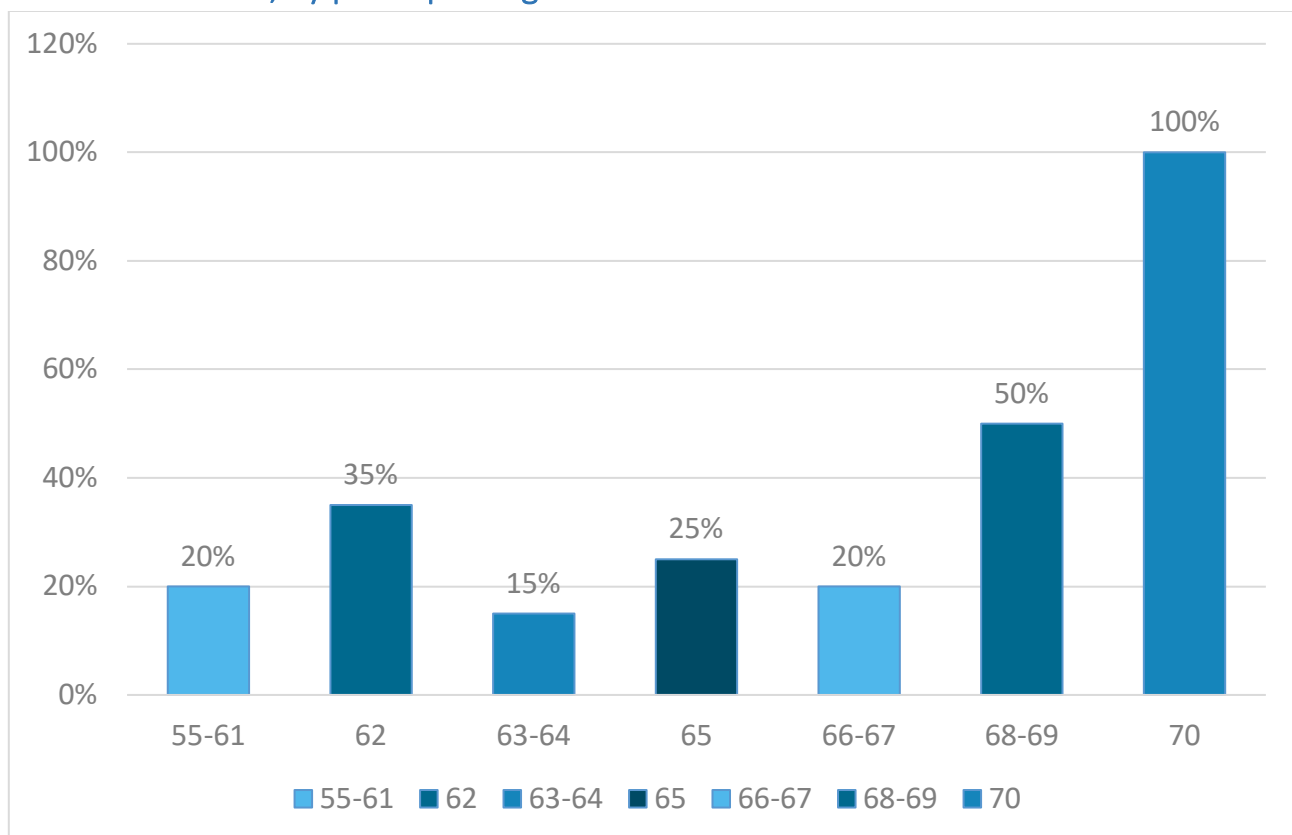
Projected Benefit Payments in millions



Participant Trends



Retirement Rates, by participant age band



Considerations:

- Review the investment policy statement and broaden the strategic allocation to Cash/Cash Equivalents in light of the increasing projected benefit payments over the next decade.
- Consider Stable Value Funds available for defined benefit plans for Cash Equivalent.
- Incorporate system specific issues into the asset allocation process including actual retirement rates by age, projected benefit payments for the next decade and projected cash contributions.

Objective 3: Appropriateness of Investment Fees and Commissions

Documents reviewed:

- WF Performance Report 3.31.2020, 6.30.2020 and 9.30.2020
- CCRTA Employee Defined Benefit Plan Statement of Investment Policy Adopted 8.1.2012, reaffirmed 2017
- Wells Fargo Service Agreement July 2012
- Wells Fargo Fee Schedule July 2012
- Market Value of Assets and Annual Portfolio Return by Year and Long-Term Return on Asset Assumptions (Findley)
- Morningstar Universe: Average Mutual Fund Costs per asset class
- 2019 NCPERS Public Retirement Systems Study, January 22, 2020

Finding details:

- We did not review any policies that describe the management and monitoring of expenses.
- The CCRTA has hired the Findley Special Project Team to Benchmark the investment manager with a decision sometime in 2021 for implementation or confirmation in 2022.
- All forms of compensation are disclosed by the investment manager in their service agreement and service agreement amendments.
- Wells Fargo reports underlying fund expense ratios and average asset class expense ratios quarterly as part of the Performance Summary of the Quarterly Performance Report shared with the Board.
- All Mutual Fund, Collective Trust and Separate Account fees are deducted daily from NAV or Unit Value.
- The current plan average weighted expense ratio is 0.29% + Wells Fargo Investment Management Fee 0.30 % for a total plan expense of 0.59%, within industry tolerances for a plan of the RTA's size. Lower than the 0.66% for a hybrid portfolio and average investment management fees of 0.55% reported in the NCPERS 2019 Study.
- The system currently uses zero revenue shares, institutional shares, collective trust funds, and index funds to keep the investment costs of the plan low.
- The alternative investments (REIT and Commodities) are both liquid investments (mutual fund and exchange traded fund) so there is no need for an attorney to review alternative valuation methodologies.

EXPENSE ILLUSTRATION

Asset Class	Assets	Expense Ratio	Weighted Expense	Median Morningstar Avg *
US Large Cap Value				
<i>Wells Fargo MFS Value CIT F</i>	\$1,495,396	0.37%	\$5,532.97	0.61%
<i>Wells Fargo T. Rowe Price Institutional Equity Income Managed CIT F</i>	\$940,795	0.39%	\$3,669.10	0.61%
US Large Cap Blend:				
<i>Wells Fargo BlackRock S&P 500 Index CIT F</i>	\$4,726,649	0.012%	\$472.66	0.06%
US Large Cap Growth				
<i>Wells Fargo T. Rowe Price Institutional Large Growth Managed CIT F</i>	\$1,522,382	0.32%	\$4,871.62	0.70%
<i>Wells Voya Large Growth CIT F</i>	\$1,001,131	0.41%	\$4,104.64	0.70%
US Mid Cap Blend				
<i>Wells Fargo BlackRock S&P Mid Cap Index CIT F</i>	\$4,210,452	0.03%	\$1,263.14	0.10%
US Small Cap Blend				
<i>Wells Fargo Multi-Manager Small Cap CIT F</i>	\$2,512,732	0.61%	\$15,327.67	0.74%
International				
<i>Wells Fargo Causeway International Value CIT F</i>	\$819,845	0.55%	\$4,509.15	0.73%
<i>Wells Fargo Lazard International Equity CIT F</i>	\$752,687	0.68%	\$5,118.27	0.73%
<i>American Funds EuroPacific Growth R6</i>	\$884,748	0.46%	\$4,083.64	0.70%
<i>Wells Fargo Blackrock International Equity Index CIT F</i>	\$1,688,541	0.06%	\$1,013.12	0.12%
Emerging Markets				
<i>Invesco Oppenheimer Developing Mkts R6</i>	\$761,785	0.83%	\$6,322.82	0.91%
<i>Acadian Emerging Markets I</i>	\$749,626	1.25%	\$9,370.33	0.91%
US Fixed Income -Core				
<i>Metropolitan West Total Return Bond I</i>	\$4,310,045	0.44%	\$18,964.20	0.33%
<i>Wells Fargo Dodge & Cox Int. Bond CIT F</i>	\$3,438,392	0.18%	\$6,189.11	0.33%
<i>Wells Fargo Federated Total Return Bond CIT F</i>	\$3,446,052	0.17%	\$5,858.29	0.33%
<i>Wells Fargo Core Bond CIT F</i>	\$6,417,487	0.17%	\$10,909.73	0.33%
US Fixed Income Short				
<i>Wells Fargo Blackrock Short-Term Investment Fund CIT F</i>	\$848,511	0.08%	\$678.81	0.32%
Other				
<i>ALPS/CorCmdty Mgmt CmpltdCmdty Strat 1</i>	\$1,041,114	1.14%	\$11,857.30	
<i>Vanguard Real Estate Index Admiral Fund</i>	\$847,675	0.12%	\$1,017.21	
TOTAL	\$42,416,174	0.29%	\$121,133.78	

*Source Morningstar 2019 U.S. Fund Fee Study as of 12.31.2019

Considerations:

- Incorporate benchmarking of all providers every 3-5 years.
- Document the process for determining the reasonableness of all fees.
- Incorporate language in the investment policy statement for procedures for monitoring fund level, portfolio level and plan level expenses.

Objective 4: Governance Review

Documents reviewed:

- CCRTA Bylaws – 10.09.13
- Interview with M. Sandy Roddel & Robert Saldaña, CCRTA and Maggie Cauffiel, Findley (October 5)
- Interview with Lisa Keckler & Chris Koeller, Wells Fargo and Maggie Cauffiel, Findley (October 8)
- CCRTA website
- Board meeting minutes: 10/12/2016, 1/3/2018, 2/7/2018, 3/7/2018, 4/4/2018, 5/2/2018, 6/6/2018, 7/11/18, 8/1/18, 9/5/2018, 10/3/2018, 11/7/2018, 12/5/2018, 1/2/2019, 2/6/2019, 3/6/2019, 4/3/2019, 4/26/2019 (draft), 5/1/2019, 5/22/2019, 6/5/2019, 7/1/2019, 8/7/2019, 9/4/2019, 10/2/2019, 11/6/2019, 12/4/2019, 1/2/2020, 1/8/2020, 2/5/2020, 3/4/2020, 4/1/2020, 5/6/2020, 6/3/2020, 7/1/2020, 8/5/2020, 9/2/2020
- Administration & finance meeting minutes: 1/23/2018, 2/7/2018, 3/28/2018, 4/25/2018, 6/27/2018, 7/25/2018, 8/22/2018, 1/23/2019, 2/27/2019, 4/24/2019, 5/22/2019, 6/26/2019, 7/24/2019, 8/28/2019, 1/22/2020, 2/26/2020, 4/22/2020, 5/27/2020, 6/24/2020, 8/26/2020
- CCRTA Statement of Investment Policy – Adopted 8/1/2012, reaffirmed 8/2/2017
- Committee Appointments restructure memo & 2016 Committee restructure - 10/12/2016
- LinkedIn profiles of board members
- Anne Bauman biography
- Glenn Martin resume
- PRB-2000 reports: 9/27/2018, 5/6/2019 8/25/2020
- PRB Training as of 10/15/2020, CCRTA records
- Email from Benjamin Warden to Dena Linnehan – 6/18/2020 Subject: CORE & CE Hours for Board Members – Current Status

Finding details:

TRANSPARENCY:

- The bylaws serve as a written governance for the CCRTA. Sub-committees are established by board resolution and the Administration & Finance committee is responsible for pension oversight. Governance responsibilities are delegated in the investment policy statement.
- Favorable: Section 5.06 of the bylaws indemnifies board members if acting in good faith.
- Incidental: Special meetings of the board may be called with notice delivered personally, by mail or by telegram.
- The CCRTA website has a section devoted to pension information under the financial transparency page.

- Overview of EDBP – The overview document references links to two documents to understand the differences between the DB (defined benefit) and DC (defined contribution) plans.
 - Investment Methodology and Investment Policy – The asset allocation excerpt of the investment policy statement as of 12/31/2014 is provided. The expected annual return is listed as 7.5%; the plan has since adopted a scheduled for lowering the expected annual return by 10 bps each year until 7.0% is achieved. The fixed income maturity provided is as of 12/31/2014.
 - Funded Ratios and Plan Additions and Deductions pages report data through 12/31/2015.
- The board meets monthly. Pension was reviewed at the December 2018, March 2019, April 2019 (board retreat), June 2019, November 2019, February 2020 and September 2020 at the full board meeting. The full board agendas for are available to the public on the CCRTA website and include the prior meeting minutes.
- The administration and finance committee meets monthly. Pension was discussed at the August 2018, May 2019, June 2019, July 2019, September 2019, August 2020 and September 2020 administration & finance committee meeting. The agendas are available to the public on the CCRTA website and some include prior meeting minutes.
- The meeting minutes for both the board and administration & finance committee are sufficiently detailed.

INVESTMENT KNOWLEDGE/EXPERTISE:

- The CCRTA board is comprised of the following individuals. * denotes Administration & Finance Committee member.
 - Eddie Martinez, Insurance Agent at Allstate – [Allstate page](#)
 - *Mike Reeves, Sales Executive at Heil of Texas - [LinkedIn](#)
 - Dan Leyendecker, Managing Principal at LNV, LLC - [LinkedIn](#)
 - *Lynn Allison, Public Information Manager at Flatiron | Dragados LLC - [LinkedIn](#)
 - Anne Bauman, transportation industry and community activist
 - *Eloy Salazar, Owner at Salazar Investments - [LinkedIn](#)
 - *Patricia Dominguez, Dean of Outreach & Enrollment Services at Del Mar College - [LinkedIn](#)
 - Anna Jimenez, Attorney at RPDO - [LinkedIn](#)
 - *Glenn Martin, Owner at Woody's Sports Center
 - Philip Skobarczyk, President & CEO at Fulton Coastcon - [Biography](#)
 - Matt Woolbright, Wealth Management Advisor at LotusGroup Advisors - [LinkedIn](#)
- All board members are required to complete Texas Pension Review Board's Minimum Educational Training within the first year of service, which includes the following topics:
 - Benefits administration
 - Risk management
 - Ethics
 - Governance
 - Actuarial Matters
 - Fiduciary Matters
 - Investments
- The Assistant to the CEO tracks board member compliance with educational requirements. Pension Review Board Form PRB-2000 is reported to the PRB at least annually to track all classes attended

online. Board members must complete 4 hours of CE every two years following their first year of service.

- New board members must complete the Minimum Educational Training within their first year of service. Several board members were delinquent in completing their initial training modules and have since completed them. There is also an orientation for new board members, which includes ethics.
- Nine board members have satisfied the initial training program; one is still within the window to complete the initial training. One board member is past due on Core Minimum Required Training. Nine board members are current on their CE requirements; two board members are past due on their CE requirements.
- At the annual board retreat, an attorney reviews ethics and the CEO talks about the role of a board member.
- Wells Fargo serves as a discretionary trustee and external investment consultant, acting on a discretionary basis.
- Wells Fargo is a party-in-interest for many of the plan investments. 79.7% of the plan assets are held in collective investment trusts to which Wells Fargo is a party-in-interest.
- An RFP for investment consultant services was last conducted in 2012. Industry best practice suggests that this due diligence should be conducted every 3-5 years. The CCRTA has engaged Findley to conduct the investment consultant RFP with an expected effective date of 1/1/22.

ACCOUNTABILITY:

- The Board of Directors consists of eleven appointed individuals from the City of Corpus Christi (five appointed members), Nueces County (three appointed members), Small Cities Committee of Mayors (two appointed members), and the Board Chair (Board appointed). The board chair then designates the board members into two committees – (1) Administration and Finance and (2) Operations & Capital Projects.
- The plan's investment policy statement indicates that the board of directors has delegated the authority for administering and managing the Plan's assets to the RTA Audit, Finance, Health and Pension subcommittee. That subcommittee no longer meets; it is now the Administration & Finance committee. The board committee establishes the investment policy statement, which includes the prescribed asset allocation for the portfolio. The IPS clearly outlines this. Aside from the subcommittee name change, the board is consistent with the use of this delegation of authority.
- Currently the board measures effectiveness of the investment program by periodically reviewing investment performance from the outside consultant Wells Fargo. There is an opportunity to have a procedure in place to review the effectiveness of the investment program, including reviewing the board's performance and outside consultant effectiveness (beyond investment performance reporting).
- There are 23 board policies. If a change is required, CCRTA will consult with Wells Fargo. Wells Fargo is rebalancing the portfolio monthly to maintain compliance with the investment policy.
- Wells Fargo produces monthly and quarterly reports. There is also an annual summary. Wells Fargo presents to the full board semi-annually and is willing to meet more frequently, if needed.
- Governance processes are reviewed a minimum of annually.

Considerations:

- Establish a committee charter for the Administration & Finance committee that includes specific roles and responsibilities for the committee as it pertains to the pension plan.
- Facilitate more strategic plan management conversations with the Administrative and Finance committee.
- Update the CCRTA Website/Financial Transparency/Pension Information on an annual basis.
- Update the Investment methodology and Investment Policy to include the full investment policy statement.
- Update the investment policy statement to reflect the current governance structure (Administration & Finance Committee).
- Review investment policy statement annually with board of directors.
- Maintain accountability for completing minimum training requirements for board members – both initial core training and continuing education.
- Consider establishing a procedure (ex. scorecard) to evaluate the effectiveness of the board, internal staff and outside consultants.
- Document due diligence to ensure that parties in interest (ex. Wells Fargo) are providing unbiased advice.

Objective 5: Investment Manager Selection and Monitoring Process

Documents reviewed:

- WF Performance Report 3.31.2020, 6.30.2020 and 9.30.2020
- CCRTA Employee Defined Benefit Plan Statement of Investment Policy Adopted August 1, 2021 reaffirmed 2017
- Findley CCRTA Actuarial Review 5.22.2019
- Findley CCRTA GASB Actuarial Report 12.31.2019
- Findley 2019 Actuarial Report 12.31.2019
- CCRTA Board of Directors Meeting Minutes February 5, 2020
- Interview with M. Sandy Roddel & Robert Saldaña, CCRTA and Maggie Cauffiel, Findley (October 5)
- Interview with Lisa Keckler & Chris Koeller, Wells Fargo and Maggie Cauffiel, Findley (October 8)

Finding details:

- The CCRTA is responsible for selecting and monitoring investment managers.
- The CCRTA delegates the search for investment managers to outside firms. They rely upon the outside firm's expertise for the selection criteria to identify potential candidates and the criteria to determine the final candidate. This delegation to an outside independent party addresses ethical considerations and eliminates potential conflicts of interest for board members and investment managers.
- The selection criteria for identifying and finally selecting candidates includes identification of whether the investment manager will act as a discretionary investment manager, evaluation of parties in interest and/or potential conflicts of interest, Assets Under Management, number and type of clients served, experience with pension plans, experience of the team that will be responsible for CCRTA, the investment management process and philosophy, investment reports, investment performance and finally cost.
- CCRTA Finance Director and Managing Director of Administration are responsible for reviewing investment manager contracts and signing any final service agreements.

- The process for monitoring individual and overall performance is to compare the portfolio and each individual fund to their appropriate benchmark over the current quarter, year to date, 1 year, 3 years, 5 years, 10 years and since inception if available. In addition, the Morningstar Rating for each fund is included in the Performance Summary.
- Wells Fargo provides quarterly performance reports to the Board that include portfolio and individual fund performance for the CCRTA Pension Plan.
- The Benchmark (38%BCAg/2.5%BBTR/2%i3moTB/15%AllCountryWxUS/10%R2000/10%RMid/20%SP500/2.5%WRE) is used to measure portfolio performance. This benchmark was reviewed and updated in January 2014. Individual Funds are benchmarked to individually appropriate benchmarks (see chart below).
- Quarterly Performance Reports are emailed to CCRTA and provided to the Board. The investment managers present to the full board semi-annually with most recent attendance in person at the February 4, 2020 meeting and virtually at the September 02, 2020 meeting.
- The reports include the current quarter Market Review (Equities and Fixed Income), current quarter US and International Economic Overview, current quarter Economic and Market Forecasts from Wells Fargo Investment Institute, Index Definitions for all asset classes, Cash Flow Results, Portfolio Asset Allocation Chart for the current quarter, Investment Policy Summary which compares the Actual Allocation by asset class to the target allocation, Asset Allocation Report which includes market value of each fund and current allocation compared to target allocation, Performance, Portfolio Performance and Individual Funds Performance Compared to Benchmarks, Funded Status, Risk Disclosures and Individual Fund Fact Sheets for each offering.
- The reports are presented in a digestible format and are designed for differing levels of investment knowledge and expertise.
- Underlying individual fund performance is reviewed net of fees quarterly. The Net of fees performance is reviewed against benchmarks quarterly and is included in the Performance Summary section of the report.

Asset Class	Benchmark
Portfolio	(38%BCAg/2.5%BBTR/2%i3moTB/15%AllCountryWxUS/10%R2000/10%RMid/20%SP500/2.5%WRE)
US Large Cap Value	Russell 1000 Value Index
US Large Cap Blend	S & P 500 Index
US Large Cap Growth	Russell 1000 Growth Index
US Mid Cap Blend	S & P MidCap 400 Index
US Small Cap Blend	Russell 2000 Index
International Equities	MSCI AC World ex USA (net) MSCI EAFE (net)
Emerging Markets	MSCI Emerging Markets Index (net)
US Fixed Income -Core & Total Return Bond	Bloomberg Barclays US Aggregate Index
Commodities & Natural Resources	67% Bloomberg Commodities Index/33% S&P GNRS Index
REIT	MSCI US REIT Index
Cash/Cash Equivalents	FTSE 3 Month T- Bill

Considerations:

- Document the manager selection, monitoring and replacement process currently utilized by Wells Fargo Global Research and implemented by the Wells Fargo Relationship Manager.

Disclosure by Independent Firm

Summary Outlining the Qualifications of the Firm:

Strategic Retirement Partners (SRP) is a specialist, our core business is retirement plan consulting. We are a firm built by retirement consultants and the majority of our revenue is derived from serving our retirement plan clients. We have a unique focus in the retirement advisor industry in that we focus on companies that have more than one retirement plan. As such, one of our favorite areas of the retirement plan market is Pension or Defined Benefit (DB) plans.

Our core competencies are high quality investment due diligence, fiduciary risk management and plan design consulting. Our difference is our approach based on sharing best practices, providing clarity, fee transparency and portfolio construction. As a result of this focus, we are often hired for project work to help plan sponsors solve a particular problem or offer a second opinion.

As a dedicated retirement plan consulting firm, our firm has ongoing consulting relationships with 794 plans and conducts at 1,500+ investment performance evaluations each year. The core of our practice is built around helping our clients implement fiduciary best practices, as evidenced by our CEFEX certification. For more information about the Centre for Fiduciary Excellence certification, please visit <https://youtu.be/4TBFaHHGhow>.

Statement indicating the nature of any existing relationship between the firm and the firm being evaluated:

There are no existing relationships between Strategic Retirement Partners and Corpus Christi Regional Transportation Authority.

List of the types of remuneration received by the firm from sources other than the retirement system for services provided to the system:

None.

Statement acknowledging that the firm, or its related entities, is not involved in directly or indirectly managing investments of the system:

Neither Strategic Retirement Partners nor its related entities in involved directly or indirectly managing investment of the system.