SOUTH CENTRAL CONNECTICUT REGIONAL WATER AUTHORITY

PENSION & BENEFIT COMMITTEE

JULY 27, 2023

MEETING TRANSCRIPTION

[PENSION & BENEFIT COMMITTEE MEETING BEGINS AT 12:32 P.M.]

Stephen:

No problem. Does what I say sound acceptable to everyone? Any changes, comments?

Suzanne:

No.

Stephen:

No? Why don't we proceed? A little market commentary so we can get everyone up to speed on what's been going on. We could jump right to the next slide. So we'll start as we have been. The Fed met yesterday and I think you all know by now that they increased interest rates another quarter of a point after a pause at the last meeting, and it's unclear whether they'll continue to do that or not into the future.

We clearly know that inflation has come down, but equally clear we know that it's not down to where they would like it, right, where the long-term goal is 2% or less. It's still running quite a bit above that depending on how you measure it. So it wouldn't surprise us if we see some more pausing or no rate increases. It wouldn't surprise us if we saw another rate increase, but it's going to be [inaudible 00:01:23] as the Fed themselves stated yesterday.

What you see so far this year in the far right is this is through June. The bond market is measured by the Bloomberg Ag was up 2% and that's heading the right direction, albeit it still has a long way to go on that side of the street to make up for the last two years, the unprecedented down 13% last year and the down 2% the prior year. So also unprecedented that it was two years in a row.

It's beyond confidence we have almost surety that that will happen because rates are higher and the yield to maturity on the bonds, and I'll talk a bit about that when we get to the pie charts, but the yield maturity on the bonds, including your own very specific portfolio are obviously a lot higher than they've been for several years now.

So although a little painful last year going through the process, it's actually a benefit in the long run to the funds because they will be able to earn a higher rate of return on that portion of the portfolio and that is pretty much a fact, I would say, as opposed to we often, not speculate, but we often make estimates, and I would say this isn't an estimate that yield the maturity today is much higher than it's been.

So a little silver lining in the otherwise cloudy bond market that we had last year. So up so far this year, albeit not recovering as fast as the equity market would do and that's not surprising it recovers slow and steadily. If we jump ahead please, you'll see the difference in yields in three time periods here, and I think the most important one is the blue. So that is the current yield curve before yesterday and you saw a very short term paper yielding as much as 5.5%. That's the six-month paper and that particular

slide. You're now going to have yields even higher on the shortest end, meaning overnight paper, three month paper, et cetera, where we need to keep cash.

You can see that yields have moved this year, but almost all of that movement has been on the short end. When you go out to seven year, and you can find that along the bottom, the seven year was 4% when the year started and it's still 4%. The 10 year was 3.8, it's 3.9, and the 20 year was 4.1, it's 4.1. The 30 year was 3.9, it's 4. So there's barely been any movement other than the short end. So what that says to us, is although the Fed's still fighting inflation, the market like seeing that, but when you see long-term rates stay stable, that means a long-term investor is less worried about inflation because they understand that the Fed is dealing with it.

At the very bottom is the December 31st, 2021, so an 18-month ago yield curve, and you'll see that at the time we know short rates were zero, 10 year rates were 1.5 and longer rates were 1.9. So we've come a long, long, long way from that world where our bond portfolios were barely able to make any money. Jumping forward again, please, we will talk about the equity market.

Equity market has made a very large recovery from the bottom. You can see this in the upper right and this is just using the S&P as a proxy and this is through June 30th also. From the bottom where the market was on October 12th last year, and again the upper right side of the graph we're trading about 15 times earnings. We've come up 24% off the bottom, not all the way back to where we were 18 months ago, but getting very close to being back there.

Also, valuations have gone up substantially. We're 19 plus times earnings as you can see in upper right. So again, getting on a market basis, appearing to beginning on the richer end, but under the surface it's actually a bit less expensive than that would make us believe, and it's because of what we see on the next slide. I'll try to move through here pretty quickly, but this phenomenon on the next slide is really defining the market this year, much like it defined the market in 2021, and I'm hoping it's not the case. In 2021, obviously it was the precursor to last year, which was a difficult year.

If you look at the upper left here at the box, the market this year at this point in time was up 15.9%. This is June 30th. It's very heavily driven by just five stocks, right? They're in the bottom in the footnote of this slide actually you can see them. It's Apple, Microsoft, NVIDIA, et cetera, Amazon and Google. Those five stocks are actually up 53.5% in the market's market cap weighted. So they have a very big poll on the indices. The average stock, the other 495 stocks also market cap weighted, so starting at number six and down are up 9%.

So it is, again, it's back to [inaudible 00:06:23] here, but we are in a highly unusual and highly narrow equity market. Prior to May, I believe obviously the 53% was much lower. The 495 I remember we were up 2%. So the good thing that we've seen in the last six weeks leading up to June 30th [inaudible 00:06:42] you saw a broadening of the market. It wasn't just these five names, they're still obviously a substantial contributor, but instead you saw industrials moving, healthcare moving, financials moving.

So we were hopeful and we talked the last time about the fact that it's likely the market needs to broaden out or it will just become so narrow. It's already historic, but it would become unsustainable we fell. But it's nice to now see that you're getting some broadening across the different industries and across different securities as opposed to right through mid-May. It was really a market of basically a handful of stocks, very unusual and highly reminiscent of '21. Hope that makes sense. It's a one of the oddest markets I recall seeing. If you could jump to the next slide please.

This goes a little deeper with it. It says in light blue we have the average stock in the index, so the equal weighted, you're probably sick of me saying this over time, but if I had $500, I put $1 in each of the 500 names, that's the light blue. And as published, the S&P market cap weighted with those like Apple and

Microsoft et cetera being larger components of the index. You can see over time they run very close to one another. There are times where one outperforms the other. There are times where they're very similar. There are times where the equal weighted outperforms like it did in last year, and then there are times like now the far right. And what you see on the far right is the gap between the two is about as large as it's ever been.

We thought that that would close and indeed it began to close in May and continue to close in June and continues to close now. So that's good for the portfolio. That's healthy for the market as long as we see that trend continuing, because again, a market that's made up of five names all in one industry is not what we would consider a healthy market. We want to see participation from financials, from healthcare, from industrials, from materials. You want to see healthy participation across the board and we're beginning to see it and the numbers are excellent across the board. It's just that we're looking at these big numbers. It's only a six-month time period. These aren't even annualized. So we jump ahead again please.

Morgan's still quite sober on the earnings outlook. They've upped their forecast a bit. Obviously earnings are still coming in better than expectations. Still coming in for the most part below where they were a year ago and 18 months ago. But the market is just running away basically on the fact that the consumer has still remained strong. Although money supply is shrinking, consumer is still spending. Travel industry is booming, as I think we all know. Housing is unusual at the moment in that people are almost locked in their homes at these low interest rates. So there's low inventory.

The one place that there's [inaudible 00:09:36] across the board, I'm sure you're familiar with is commercial real estate and in particular office space, and that's unclear as to how that will unfold, but we do believe it will unfold relatively slowly as it has been for the last year or so, and we could keep jumping ahead. I'll try to get us through here because I know we need time for Joe today also. Interesting, the consumer on the left side, the consumer savings rate has now gone from way above what it was during COVID to way below its long-term average.

You see where that arrow is on the left side of the page, almost dead center page. Consumers savings rate has dropped, almost plummeted in the last few years. We're all out spending and hopefully enjoying life again in places like the ferry in Maine, right Suzanne? Consumer revolving credit is up rather substantially. So consumers are saving less, spending more, putting more on their credit card. Ultimately that often results in it lasts for a while, but ultimately the consumer will become pinched in that scenario, especially with money supply beginning to shrink.

And it ties into the next slide that my biggest personal concern, what I'm seeing is a big item besides commercial real estate is this, and I'll start on the right side. And this has gone higher since we last met. It's anyone that wants to borrow money today, it's becoming clearly more expensive but also more difficult. Underwriting standards have increased, getting anything from as simple as a car loan or a credit card or a home mortgage becoming more complex and more costly because the banks are tightening their lending standards and they're tightening them substantially. That will ultimately result in a slowdown.

The Fed will win this. The Fed will break inflation and they will slow this economy down. It's taking a lot more effort than they expected and I think that almost any observer expected. The left side shows more or less what the banks are doing. They're slowly but steadily increasing their tier one capital ratios. Obviously nobody wants to be the next Silicon Valley Bank in the banking industry or the next First Republic sadly. But the banks are reacting to those outcomes and tightening both their lending standards and at the same time, improving the liquidity on their balance sheets.

So these things add up. The consumer's becoming a little tapped, although still spending. Banks are tightening. We're likely to see some type of economic slowdown, which would actually help the Fed, right? The Fed won't have to keep increasing if we actually ... this is what they wanting, but it's very delayed reaction this time. Obviously it's been an unusual several years with COVID and all the stimulus and now the removal of the stimulus. So it's been extremely robust period for money printing and then not quite an equal and opposite robust period for removing some of that liquidity. Hope that makes sense. Let's jump forward please. Any questions, comments, concerns?

Let's look at the allocation. I want to spend an extra minute on this today. So the salary and union plans combined in the upper center, almost $69 million between those two plans. The 68.94. Sorry, was there a question?

David:

No, not that we can see here.

Stephen:

Nope, sorry, I thought I heard one. The box in the upper right that's about 58.4% in equity, and more or less the remainder is in fixed income. You can see that grayish-brown piece of pie on the left, just over 38% and fixed. So, Alan and I went and took a look, just a sanity check, and in one of the upcoming meetings we'll do a full analysis of the liabilities versus the assets because we look at the required benefit payments obviously over the next several years. And it's interesting, the 38% equals just over $26 million in fixed income, and that covers pretty much exactly net of the arc, so net. So it's not gross number, it's a net number. That covers about six years of benefit payments.

So if you look at the pie chart, I know we talk about this from time to time, we say, "How do you get to this allocation?" Because obviously the allocation that has an impact on the outcomes. You get to the allocation by saying, "We feel that we need to keep at least five years if not longer in fixed income to make those defined benefit payments obviously." And this five years would be 22 million. We have 26 million we're running six years. Theoretically, a lot of plans will keep a much longer time up to, we've talked many times, some plans will keep out to 10 years. So it's good to keep in mind that the 38% in fixed income is the next six years of net benefit payments to your retirees. And anything beyond six years is invested really in equities or a small amount in alternatives.

Now if you add interest in, you get about 6.5 years. So it gives a little cushion there. But again, I know it's time to time you make larger contributions, but that is net of the arc. So I thought it was worth spending a minute on that today just to say the equity market's hot again, the bond market's okay, but why do we have that money in bonds? We have that money in bonds because you have to make your payroll for this pension next month, six months from now, three years from now, et cetera. And that money is there for the next six years of that net payment.

And as you move forward in time obviously, more money needs to flow over to the air as money flows out so that there's always money. I think of it as an escalator. There's payments coming out as the bottom step gets toward us, but we've got to replace it with the payments that need to be made further out like five and seven years out. Any questions on that? I hope that makes sense.

So the point is, as I've tried to make before, the allocation is not random at all. It happens to be close to a 60 40 mix. That's a coincidence, not based on anything. It's not based on that that's a classic balanced investor. It's based on the fact that that fixed income is there to make those specific payments, and the

equity there as longer term assets, which really should be 10 year or more assets. We've got it pulled in a little bit around seven, but there to get those longer term returns.

Joe:

And Steve, if you don't mind me adding a comment there on the fixed income piece in particular that the committee should be aware that the duration of that fixed income component of the portfolio is matched to the duration of their liabilities.

Stephen:

That's a good point, and I think you know what Joe means by that, but payments that are due in one year, it's not 100% true, but a big portion of those payments are in one year paper. Payments that are due in five years, a big portion of those payments are in five year paper, et cetera. So it's not an index. It's a bond portfolio that's matched to the payments that need to be made to the retirees. I probably over stress that, but I want to remind us of how it got this way and why it's that way.

Because it factually you have everything in equities or more inequities even you suddenly risk having to make a benefit payment in a down market and/or not having enough asset in the corpus of the fund at least to make those benefit payments. So it's pretty scientifically calculated to get to those numbers. And again, we haven't got a new actuary report recently, but I believe it's coming in the next 90 days. So we'll run these numbers fresh.

Catherine:

Steve, actually I just got that the other day or yesterday.

Stephen:

Okay, so we could have it for the next meeting because when Alan and I did it, we went and used the last report we had available, but we did use the forward estimated payments that shouldn't have changed a lot so that the ones for the '24, '25, '26 et cetera. But that would great if you could send that over. Let's jump ahead. From an allocation perspective, you can see the benchmark is on the left side while the center left actual is in the center and then the delta's to the far right. The salary in union look pretty similar here. A little over-weighted in domestic equities, that's the 157, very slightly under-weighted in international equities, quite over-weighted in bonds domestically.

It's because again, we have no allocation to global bonds right now. We have very light allocation to alternatives right now and we are thankfully under-weighted in global real estate right now and because it's such good yield in short-term bonds, we're under-weighted in cash and equivalence also. So the over-weighting of bonds comes from all bond-like things. It's not purposely over-weighting, I'm just saying there's more value there at the moment than in these bottom four items.

We can jump ahead again. We see the Viva. Similar allocation, 58% equity, $9 million. I won't belabor it. Again, not the same level of actuarial work here, but that very similar allocation, and it's up to 9 million. Jumping ahead, the allocation here is similarly overweight to domestic equities and domestic bonds and underweight to the other asset classes. We jump to the performance I believe is next. Yes, here's the quarter. So in the upper center you can see this is the March 31st to June 30th quarter. I'll jump to the very upper half of the page but the leftmost side.

The various accounts, three investment accounts, salaried union and VEBA. Just as a reminder, three trust accounts where the benefit payments are made from at Matrix one for each plan, salaried, union

and VEBA. Those total 75,000,111 last time we met. There have been net deposits made of 1,619,347. Those are deposits, net of withdrawals. Transfers equals zero transfers. In this particular case was us moving money into the investment accounts from Matrix trust. So your simple math net invested is 76,730, almost just right of center.

At the end of the month, they were 78,736,471 invested. So a dollar gain was just over $2 million for the quarter, 2.61% net, 2.7 gross. So obviously for that period above the required actuary rate of return, and we're pretty much right between the two strategic benchmarks, one being market cap weighted and the other being equal weighted at 368 and 184. It makes a lot of sense this time because again, we're not invested so narrowly that we're way over-weighted in those five stocks. We do have an overweight in them, but not to the degree the indices do. So you wouldn't expect it to be up at the 368. That would be a heavier overweight to those five names. We've got some of it spread out equally as well. So a strong quarter.

And if you jump ahead year-to-date January 1st of this year, the funds various, again, the six accounts had 72,000,859. Again, upper left at the bottom of the six accounts. Net deposits year-to-date a million, almost 1,050,000. Again transfer is net zero. Some money went up to the investment accounts, other money's gone down to the trust accounts on a year-to-date basis to pay benefits. 73,000,908 is your net and invested in that timeframe. Same ending value you just saw. The 78,736 dollar gain for the calendar year so far. So again, this is six months, not a year. 4,000,828, 6.64% net and 6.83 gross.

Again, obviously in this rebound time period out-earning the actuaries again at 338. And again, not surprising in between the equal weighted strategic benchmark, which is 524 and below the more tech-centric at the moment, but five name-centric market cap waited at 908. So right where you'd expect to be, and it would be almost a decent year if it had ended right then, and frankly it would be right now. We jump ahead. I think we give you the fiscal year.

Fiscal year still not too exciting, and obviously it's ended since we last met. It ended close to flat. Fiscal year the beginning value was 76,491. You made net deposits of 254,000 for the year. The ending value was 76,746, I'm sorry, the net invested. The ending value was 76,352, a different value than you've seen, because again, this is a May 31st year-end for your fiscal year. So a $395,000 loss in the portfolio during the year or a half a percent net 13 basis points gross. That is above all the investment benchmarks, all of them. But obviously during that difficult timeframe during the bear market that happened in '22, not able to keep up with the actual required rate of return, but actually quite competitive from a market perspective. You can see the middle, the strategic benchmarks, they were down 38 basis points and down 305.

Jumping ahead, we'll go out a little further, and I've added something new here. I think that what I added new will ... I'm trying to here hopefully help you see what we see after really good markets and after really bad markets, and then through a longer timeframe. Your beginning value 12 months ago, so 12 months ago was on June 30th, right? So we were getting into the bear market at that point. We were well into it, I should say. It wasn't at its bottom by any means, but we were well into it. The value was 72,000,114, you can see in the left. During that 12 months, there's $590,000 in net contributions made.

Transfers just equal zero, again, moving money between the accounts to fund the accounts and/or to fund benefits. So your net invested from that time period is the 72,000,704. Your ending value is the same you've seen on three ... I think it was two of the last three slides 78,000,736. There's a $6 million gain from a year ago, 8.44% net, 8.84 gross. So those numbers are lifting, right. What I thought was interesting to see, and again, those fall between strategic benchmarks. We'll check one. What I thought would be interesting to see though is, so the last time we met, I put three numbers below this, and I

hope this isn't confusing. It's to teach us how sensitive short-term rates can be versus long-term rates. But they're both sensitive.

So I have trailing 12 months, March 31 to March 31 ... sorry, one year numbers last time we met. That's the bottom of the three. So last time we met, the one-year return was down 475. Interesting. We moved forward three months in the one-year return is 844. Last when we met at the end of '22, so at the bottom of the bear market, the returns at the end of '22 were negative 1285 net, 1253 gross, if everyone sees that. What's interesting, the prior December when we met, because that was after the narrow but strong market that we experienced in '21, the trailing 12-month returns were 1143 net and 1181 gross. Enormous amount of variability over the last three years, right? We've got 12 months now at 844, we had 12 months that were thrilled at the end of '21, 1143, and only 12 months later, the same one-year return was negative 1285.

This probably gives you, in all likelihood, this gives you not the most extreme we could ever have, but fairly wide extremes in a very short timeframe. And I hope again, the goal here is to help us learn how volatile the returns can be meeting to meeting. Last time we met the trailing 12 months, again, were down 475 and then now up 844. So we'll see this. I did this for the three year, five year, and seven year too. Is this helpful? I asked that too soon. Let's go a little deeper in. Let's go to the three-year returns because it's interesting to see the variability and the volatility of these.

So three years ago the funds had 67,000,586 instead of ... sorry, my eyes are getting old and tired, I guess, or today they are. So over the last three years, they've actually withdrawn a net $844,000, right? So 844,000 more has come out than has gone in. Transfers again, net zero. So your net invested from three years ago is 66 million. Obviously you see the ending value is the same, the 78.7, and there's a dollar gain over the last three years of 12,000,194, which at the moment is 5.78% net, 6.16 gross. And you can see that that's benchmarking now above the market cap strategic benchmark and just a little bit below the equal weighted one. Kind of interesting how that flip-flops also.

But what's interesting is when we last met, so this is interesting, right, the three-year return was 892. The three-year return was holding up, well the last time we met, but now three years ago you're taking off three months, and that was actually when we had the COVID recovery. The trailing three-year return at the bottom of the market was 2 43. So six months ago when we sat here, probably a little depressed right by the end of December after a really rough year in both the stock and bond market, the three-year return was 243 net, 279 gross. In six months, it's up to 578. Shows you the sensitivity of very short periods.

And the three-year return at the end of the bull market one year earlier was 1343. I think we knew enough to know it's probably not going to continue, but I think we all felt pretty good at that moment in time just a short time ago, really, right? 18 months ago. So we jumped to five years. You'll see the variability becomes less, but the trend is still good. 60,000,175 five years ago, we made net deposits of $973,000 over five years. Obviously a lot of benefit payments in excess of that have gone out. Zero equals the transfers. Invested value 61,149. Actual value is still the 78.7.

$17.6 million in gains over the last five years, 519 net, 557 gross. Obviously not a five-year period where it's been able to keep up with the required actuary rates of return. Would be very difficult to do during that time period. But what's interesting, we look at the five-year returns just the last time we met, so the bottom of the next set of numbers. We're at 476. So in three months, the five-year return just climb, whoops, sorry, can we go back one? We've gone from 476 to 519 in the last 90 days. At year-end it was 382. So we've gone from 382 to 519 just because of an upmarket for six months on a five-year number, and obviously the end of the bull market in '21, 18 months ago was 986. Again, five year returns we're thinking this is great.

I'm trying to just share how quickly these numbers can move and do move, and 519. So heading in the right direction back towards that actuary rate of return, but by no means at the peak, but well above the trough. And finally, you'll be tired of all these numbers by the time I'm done today, but we go to seven years, which should be the next slide. Yep. It's interesting to note, seven years ago there was 45,000,532 in the funds. During that timeframe, because the prior two years a lot of money net came in, just over 6.5 million net deposits. First time you've seen that, right? You have to go back beyond five years to see net deposits, because benefit payments climb over time, at least and then they peak.

But 52 million is your net invested. Your corpus is 78.7 million, same ending value, 27.7 million, call it in gains. So now all of a sudden the seven-year return is 6.32%. Again, not quite at the actual required rate of return, although gross we're close here, 671, and here we don't have as many comparisons because we don't have the whole seven years for all those timeframes. But the last time we met, the seven-year return was 617. I think it's the first time we had it. And when we met at year-end it was 578. So you can see that even the seven-year return in the last six months has gone up, what is that, it's 22 24, 54 basis points climb in just six months period on the seven-year number. Less sensitive than the shorter run numbers, but still reasonable sensitivity because it's not a 20-year number, it's a seven-year number.

So at that rate, you'd be back over. I'm not suggesting it'll happen, but it just shows that at that rate we would be back over the actuary return in six more months at that run rate. And I'm not expecting that to happen that quickly, but it is happening and it's happening even to the longer term numbers. I hope that helped because I know we have conversations about, wow, we had 13% annualized return for five years and all of a sudden it's five or whatever the number was. But you can see the longer run numbers are volatile, but the more time we have, the more time you're invested, the less volatile they are and the closer they retain both their high points and the less close the variability between the highs and the lows are lower, if that makes sense.

And I'll also note that over the longer run period, the returns are either right at the strategic benchmark with market cap weighted or nicely above it equal weighted. So that was a lot today for me. I hope it helps give you some perspective. I bring it up because look, we had a bull market that was rather robust in '21. We had a very robust bear market in '22 both in stocks and bonds, historic, really. And now we're having a recovery market in the first six months of '23.

I can't imagine. It gets our head spinning a little bit, I think, to say, wow, we were really beating everything, then we're falling behind and now we're getting close to being back on track. It's part of investing, right? And again, I bring up the pie chart to remind us that, geez, we can't just go to everything in equities unless the entity wanted to take on the liability on its balance sheet, right? Because that 38% in fixed income is six years of benefit payments. It's not out of the year. So does that help? Is that too much, too little, just enough, somewhere in between?

Suzanne:

I think that's good. I think that's just enough for today.

Stephen:

Great. Thank you. I think-

Suzanne:

And Joe is up next for the 401K, unless there are no other questions.

David:

None from here.

Stephen:

Anything else?

Suzanne:

Okay. So Joe-

Stephen:

Thank you all. Always reach out if you do have questions in the meantime.

Joe:

All right, thank you Stephen, and thank you Suzanne. So what I'm going to do is update you on three areas in the 401K plan. After this we'll just give you a quick overview of the plan investment menu at both its structure and the assets, starting with the fixed income funds. No changes to the fund lineup over the past year. So when we gave you this update last year, these are the same funds in the menu today that you had at that time. But you see obviously a nice increase in assets across the bond funds, the target date fund suite that you have, as well as the risk-based allocation funds that you have.

And this is, again, same equity lineup of funds that you have there. And if you see at the bottom plan assets as of June 30th, we're just below 56 million. Given how strong market performance has been in the month of July, pretty safe to assume that that number as of today is well over 56 million at this point. So we've seen some nice growth in the plan, both through contributions as well as through market performance. If there are no questions on the menu structure or the assets, I'll move into two areas. Next, please.

Starting with initiatives, and you may recall last year we talked about the governance structure. Obviously the Water Authority board is the governance entity for the organization itself, but then within the management team you do have a 401K plan committee. We meet on a quarterly basis, and as I outlined last year, there were four primary areas where we are working to support both the committee and your employees, and then naturally by extension, you as a board as well. And each of these four areas we tend to address, not necessarily in the same order, but over the course of our quarterly meetings, we're typically touching on one or two of these topics at each of our meetings. So certainly over the course of any 12 to 18 month period, we've touched on each of these four areas at least one time during that window.

And what I thought would make sense on the next slide is to give you an overview of some of the initiatives that we have worked on together. I use the term we meaning us as your advisors, as well as your committee currently made up of Rochelle and Liz. So some of the things that we have done since the last update was provided to you. I'm going to start on the upper left and work across clockwise if that's okay. With respect to fiduciary governance, you may or may not be aware, but there was a massive piece of retirement plan legislation that was passed at the very end of last year, signed into law by President Biden just before the calendar turned over called Secure 2.0.

Just very briefly, it is the largest and most material retirement legislation that we have seen since the passage of ERISA itself. So we had an entire meeting dedicated to just going through not everything in Secure 2.0, but the most important provisions that we need to focus on that went into effect either

immediately or will be going into effect in 2024, just to make sure that your committee was educated on what those important changes will be. Some of the provisions are mandatory and some are optional. So we're working through those conversations to determine which of the optional may be important to the authority and which may not be.

And we're also awaiting a lot of guidance from Washington as to how some of those provisions will actually take place in reality. We also covered what we call fiduciary training, right? So because we have a new member on the committee with Liz joining the organization recently, we wanted to make sure that everyone was up to speed. That's something that we do certainly when new committee members are added. We want to make sure that they have a basic overview of what it means to be a fiduciary over a retirement plan and the roles and responsibilities there. And then we update our curriculum usually about every three to four years. And so even if the committee is tenured at that point, we're just going to refresh, make sure everyone has that expanding knowledge and everyone is aware of what current best practices are.

So again, moving across the top to plan management, we do routinely benchmark your plan, and we benchmark it across multiple facets. This particular year we did a very deep dive on benchmarking the economics, meaning the cost of your plan, and we use a third party data source for that called Fiduciary Decisions Inc. They are a completely independent and separate entity from Morgan Stanley. And the reason that we use them is they are the largest source of retirement plan benchmarking data.

We've been using them as a partner for about a decade at this point, and they're really the largest and best provider of that information. And it enables your committee to be able to benchmark the cost of the investments, to benchmark the cost of the services provided by Empower, as well as benchmark the cost of the services that are being provided to the plan and your participants by Morgan Stanley. So that's why it's nice that we have an independent source to be able to provide that information.

Moving to the lower right with respect to investment advisory, that's where things are very routine. Obviously, the committee is relying upon us to provide those investment analytics to disseminate that information to them, to discuss anything that may require attention. As I mentioned earlier, there were no changes. There was nothing on the watch list over the course of the last year. So everything has been in good order with respect to your investment lineup. And again, just as a reminder, we are, I understand that you're not an ERISA plan, but we do have an ERISA 321 fiduciary engagement with your plan, which means in effect that Morgan Stanley takes full responsibility for the advice that we provide to your committee. And we also have full understanding the committee is relying upon the advice that we provide to make the investment decision. So that is explicitly acknowledged in our services agreement that we have with you.

And then moving to the lower left, where I feel things are most important is when it comes to the topics of employee engagement. I know, Suzanne, you had some questions last time that we presented this, you were looking for more information. So we'll have that beginning on the next slide. But our team offers monthly webinars. Those are offered by the Kelleher corporate group. We offer monthly webinars. These are educational. The topics can be retirement related or they could be other topics like the most popular one that we did was a couple months ago and it was on Medicare. And across our practice, we've actually never had such a high response and participation rate to anything we offered. That topic was of extreme interest. So we're going to make sure that we continue to offer that one regularly.

And then we have other things like we offer the psychology of money. One of the sessions that we offered over the past year was raising money savvy kids. So obviously not necessarily applicable to everyone with a topic that narrow, but it's all broad financial education, some of which directly related

to retirement, others related to just overall personal financial wellness and health. So the monthly webinar is offered by us. And then we also do onsite and virtual education.

We did do a session over the last 60 days where one of our team members was on site to deliver what we call retirement readiness education. And that's content that is geared toward the 50 plus crowd, just helping them prepare for that big transition when they're ready to move from being retirement savers to retirement spenders. And we talk about all the things that people need to be prepared and give them really a list and an inventory of all the decisions that they need to be prepared to make as they reach that milestone.

We talk about how retirement income portfolios will look different than when folks are younger and earlier in their careers and so forth. And then obviously make ourselves available. So we did offer one-on-one consultations in coordination with that effort as well. If my recollection is correct, we did the group meetings onsite over the course of a single day. I think we offered two or three meetings, and then the one-on-one consultations were all done virtually as a follow-up after that so that anyone would have the opportunity to set one up at a time that was convenient to them.

So looking at your 401K plan metrics, you have 365 total participants with a balance in your plan. That includes 290 active employees, which as a reminder, that does include your well services division. So that's why that number may be a little bit higher than what some of you're accustomed to seeing. And they have 75 participants in your plan who are not active employees at RWA, but they have decided to leave their balance in your 401K plan. Naturally, they are participants as well, even though they may not be actively employed at the organization.

So looking at of the 290 active employees, you have 244 of them that are making their own salary deferral contributions. Now we know that you have employee groups that receive certain employer contributions, so that 84%, 244 active, those are the active employees who have chosen and are making their own salary deferral contributions that would be over and above whatever you as an organization are contributing to their retirement accounts.

And I will say, just to provide some context, for an organization that has a pension benefit in place, and you do have a number of active employees, obviously who are participants in that pension plan, having 84% of your entire population making contributions to the 401K from their own salary, that's a pretty healthy number given that a good number of them also have the pension plan as their primary retirement benefit. And then looking at those, that 84% that are making contributions, their average contribution rate is 9.1% of their annual salary. Any questions on those metrics?

David:

Just Suzanne, if I could, and Joe, just in the past, this number was fairly low. We were disappointed in the number of people not participating, and I can't recall last year's numbers because we get this annual. Is this an improvement over last year and we keep heading in the right direction?

Joe:

Over last year, the participation metrics are very slightly up, but you are correct that they're up over. The further we go back, the greater the rate of improvement with respect to both participation and the average contribution rate. And part of the reason that has been trending in a favorable direction is because for employees hired out for a certain date, they're being automatically enrolled in the plan, which does definitely help to drive up the participation rate. What's interesting is that your average contribution rate has held very steady during that time period.

And that's a good thing because that means that as those employees are being enrolled in the plan, they're automatically enrolled at a rate that is lower than that 9.1% figure. But that 9.1% figure, it's fluctuated a few basis points up or down over time, but it's been pretty steadily at or above that 9% level for several years now. So that means that even though employees are being automatically enrolled at a rate that's less than that, they have been actively increasing their deferrals so that at the plan level that number has held quite steady. So that's good behavior.

David:

And just remind me, or maybe Rochelle or Larry would have to, we, if they contribute 6%, we do 3.5 percent. They have to do 6% is the maximum to get-

Rochelle:

CDI. The union is currently [inaudible 00:45:24] management's currently 4.5.

David:

And all they have to do is six to get the four or 4.5

Rochelle:

I'm sorry, the 4 and 4.5 are for individuals that are 401K only. For the other employees, it's a little different structure as to what they'll match versus what their-

David:

Okay, so on average they're matching essentially, which is good, because based on that to get it at nine. Okay, good. Thank you.

Rochelle:

Is that the same arrangement with our commercial enterprise employees as well? The commercial enterprise employees tend to be younger and are not, well, the pensions closed, so they're not participating.

David:

Correct.

Rochelle:

Thank you.

Joe:

Okay. Any other questions on those metrics before we move on?

David:

It's good.

Joe:

Thank you. So looking at in terms of what has been offered to the employees for opportunities for education, as I mentioned, we have been doing monthly webinars for now three years. We began that shortly after the pandemic and everyone was locked down as a way to stay engaged with the employees. And since we started offering those in 2021, so we don't have three full years, but about two and a half years at this point, you've had 46 unique individuals sign up for any number of those webinars. We have offered a total of 11 different topics, as I mentioned, anything related to retirement as well as personal finance and other topics as well. So there have been 33 webinars offered during that period.

And then with respect to the onsite education that we did 60 days ago, just wanted to give you some numbers there. We had 16 folks participate in the onsite meetings and then there were seven one-on-one consultations as folks signed up to receive that guidance and advice from us. And then I think, Suzanne, you had asked this very specific question last year, how many people reach out to us? I'm going to use the term unsolicited, meaning that if they prompt the attention, meaning they call or they send an email asking for help or requesting some sort of assistance.

We look back over the last several years, and it's basically one to two employees per month. So we put an average of about 12 to 15 of your employees each year are reaching out. And again, those are unique individuals, so it may be that one phone call or one email may stimulate multiple conversations, but we effectively just keep a tick sheet of how many of your folks have reached out to us without some sort of prompting, meaning we offered a webinar, we offered consultations, meaning they just called because they had questions that were specific to themselves.

Suzanne:

Okay, that concludes our presentation though?

David:

Mario's got a question, Suzanne.

Suzanne:

Great. Go ahead, Mario.

Mario:

If I may. And I think that having the webinars and participation is great there. Are these available all hours so the employee can do it off hours? Just they're webinars or are these live and what provisions are there for those who are the field crew, if you will?

Joe:

You're correct. That is definitely a challenge in offering these. They're offered live. We do not have the ability to record the sessions unfortunately, but we are aware of the challenges of that. So an initiative that we are working on as a practice, which I have not shared this with your committee members, but your question is a great one, so I do want to put it out there. We are in the process of trying to do some prerecorded, I'm referring them as little nugget videos. So they're going to be three to four minutes in duration where we just touch on little topics very brief for people who have some curiosity, but don't

need to have the long attention span to sit through a 30 or a 45-minute conversation on particular topics.

So we're in the process, and I personally am leading the charge on these to record a library of those prerecorded nugget videos. And then once that library is established with enough topics in there, we are going to provide a URL to your HR team so that they can distribute that information. You can have that URL with that library hosted on your intranet so employees will have the opportunity to engage offline on their own time and engage in an array of topics where they can learn more that way. Because we do recognize that offering the webinars, obviously we're trying to be engaged with folks to offer the opportunity for them to learn and receive education.

But for good or for bad, they do have to be offered during business hours, which I know can be a challenge for the field employees, but that's also why we offer the one-on-one consultations as well. Some folks are not able to attend one of those sessions, but they hopefully saw the email and saw the topic and that prompts perhaps them taking some action to reach out to us.

Mario:

Thank you.

Joe:

You're welcome.

Stephen:

And I would add that they're able to sign up sessions and/or be able to request additional information instead of signing up.

Joe:

Yes, that's an excellent point, Steve. When we send out the invitations, we do give folks the opportunity to respond in two ways. They can either sign up to attend the live session or they can alternatively check the option that says, "I'm unable to attend, but please provide the session materials to me," which we obviously do in those cases.

Stephen:

And then the one other thing, it doesn't 100% solve for our compliance issue with the recorded sessions, but is that we do purposely and consciously vary the times the sessions are offered. One may be offered midday, one may be offered in the morning, one may be offered in the evening, and we rotate those schedules a bit.

Mario:

Thank you.

Joe:

And I believe that's the last slide in the presentation, if I remember correctly.

Stephen:

I had one additional thing. I think it's a good thing to end with. I mean, Alan and I were talking about this too, because I talked a lot about different timeframes and what's happened and what the drag on the bond side of the portfolio has been, but I forgot to talk about is what it will be. And maybe this is something, if you can't sleep during the night, this is a good thought to maybe put you back to sleep.

If you look back at the bond portion of the portfolio where the pensions, I guess it's two years ago, the yield of maturity on those bonds that we held were only 0.88%, because that's where the market was. Today the yield of maturity is a little bit over 5%, so over a 4% improvement in the bond side of the portfolio and what it can and will earn going forward. Interestingly enough, if you do the math, if all else was equal going forward as it was going backwards on the equity side, and it won't be, but if it was, that power that's now in bonds from this Fed paying for most of the economy, but not for a pension, that added four plus percentage points will factually add about 1.6% a year to your forward-looking returns, if that just made sense.

You've got about 40% in bonds. Bonds are now yielding over 5%, the bonds you own, and it adds about 0.60 to returns. So it's kind of interesting. It's a patience thing. It's a function of what the Fed has done. It's obviously to slow the economy down, but it actually helps to return on that portion of the portfolio. So it's just pretty interesting and a little bit of a nugget, to use Joe's word, that I thought you'd find kind of interesting.

Suzanne:

Well, certainly [inaudible 00:53:22].

Stephen:

Or very.

Suzanne:

Yes. So certainly an improvement on a portfolio that has fixed income in it. So thank you.

Stephen:

Yes, dramatic. Thank you, everyone.

Suzanne:

All right. Are there any other questions for Steve or Joe before we let them go?

David:

Suzanne, before you let them go, just one point if I could for Steve, Joe and Alan, really, I'd actually first like to introduce them to Mario Ricozzi, who is our newest member.

Joe:

Hi, Mario.

David:

As we know, Tony died a few months ago, and Mario has been chairman of the RPB, so he's very familiar with our operations. So we're very happy to have him here. He just joined us. Technically he has a six-month term, but we think and hope that he may continue with the new five-year term that starts in January, but we'll see. And second thing I wanted to bring, it's later in our agenda, so you may or may not notice this, but because we have new members and we haven't changed chairs of our various committees in a while, that Suzanne is going to take on a new challenge with us and chair the strategic planning committee. So Catherine LaMarr, who is very involved and has a great history with pensions is going to chair the Pension & Benefit Committee going forward. I just want to bring that to your attention before you folks leave.

Stephen:

Congratulations, Suzanne, Mario, and welcome again, Catherine.

David:

All right. With that-

Suzanne:

Thank you.

David:

... Suzanne, thank you for letting me do that.

Suzanne:

Yes, no worries. And thank you, Steve and Joe, we really appreciate everything you do for us. Thanks very much.

Stephen:

It's our pleasure. Thank you all.

Joe:

Have a good day.

Stephen:

Thank you.

David:

Since Tony is gone, and we sincerely loved working with Tony, as I'm sure you all did. What a great man, and it's just sad, but thank you on that note.

Suzanne:

Thank you. Okay, if we can, we'll move on to the next item on the agenda, which is to consider the issuance of the RFP for an investment advisor. Can you guys still hear me okay?

David:

We can hear fine.

Suzanne:

Thank you. So just to bring us up to speed, we had discussed and amended our charter to consider each five years going out and looking at interviewing additional investment advisors with the idea of learning about what's going on out in the investment community, how people are meeting the needs of pension committees like ours, and 401K managers like ours, and also to see if there's anything that we felt would be an improvement upon our investment advisory relationship and make a change.

And most certainly, the outcome can be also to stay exactly where we are. So right now, Steve and Morgan Stanley and his team are handling all of our pension work and our administrative work and our 401 K. And so the idea was to consider going outside to interview some others. So I wanted to just put that on the table and see if anybody had an opportunity to give it some thought and see what your thoughts are at this point. And Larry, I don't know if you want to talk about the difference between an RFP and an IFP at this point, but that might be helpful.

Larry:

Sure, be glad to. There's a couple of different ways we can go. We can issue an RFP, which is request for proposal. There's also something called a request for information. Sean and I had a very interesting conversation with Jeff Bauer actuary where we talked about the differences in the two and the way to go. With the RFP, as you recall, you send out a request for a proposal, people put it together, and then they expect to be interviewed by the decision body for that.

That does tend to add more time to a typical process. Then there's a second process called a request for information where you select the firms that you would like to provide you with information and it's just as extensive as the RPB in terms of information requested, but you're not obligated to call them all in for an interview. You can selectively pick the ones that you think most closely match our objectives, the cost structure, the investment philosophy, and the like.

So there's two different ways we can go and they're both comprehensive in that you get the information. With the RFI, there is an expectation that some may be called in and some won't. So it gives you a little bit of flexibility from that standpoint. Whoever we decide to pick should not only be able to manage the pension plan, as Suzanne mentioned, but OPEV and the VIVA and they'll either have to have the ability to be our administrator or we'll have to look for somebody else who is the current administrator. Now Rochelle's not very happy with Empower as the administrator, so that may be something we might want to do subsequent to picking the investment advisor.

Catherine:

Can you remind-

Suzanne:

Very good. Thank you, Larry.

Catherine:

... how long have we had?

Larry:

Seven years we've had Morgan Stanley.

Catherine:

Yes, it's been about seven.

Suzanne:

So Catherine, the last slide that they show seven years to date for investment performance gives you their inception performance since they have been with us, how they've done.

Catherine:

That explains why there were only two comparisons as opposed to three.

Suzanne:

Yes, that's exactly right. That's exactly right.

Catherine:

Change in investment managers, or investment advisors, is a pain. It is a good practice to see what else is out there.

David:

I might add, just to help with the process, when we were chatting with Jeff Bauer, his firm has either ran a process for a client or they'll advise on it. And given that the fee is, relatively speaking, very minor, to run the RFP or RFI process, we're going to have him do that whichever way we decide to go.

Catherine:

Good. And I was actually really thinking about if you decide to make a change, that conversion, that transition, it can be a challenge and it can be expensive. [inaudible 01:00:19] well managed.

David:

Well, we want to make sure too that we make the change by December 31, because you don't want people to be getting 990s from two different companies.

Catherine:

Respond may be able to use that same posterity in, sorry, [inaudible 01:00:43], but that may or may not change depending on who we tested.

David:

I would note a couple of things, if I can, Suzanne for a minute, that I think in principle seven years is a while with the same person, kind of like what I think you were saying, Catherine, then Yes, that's probably what I hear. See what else is out there. But if ever a year, our current one had a year where they beat the benchmarks by quite a bit, they did it at the right time to be in the running.

I also take what Suzanne said at the last meeting to heart a little bit, and that is that while we may go out to do this, most of the time companies that do end up staying with who they've got anyway, it's just a matter of seeing who else is there. So we may not have this difficulty of the transition. We may just be seeing what else is out there for the sake of doing that and end up staying with who we are. So that's my thoughts.

Mario:

If I can add the other advantage of doing a request for qualifications or information, it allows you also to then renegotiate if you do stay with the same people, because you may find a particular service that one of their competitors provides that would be beneficial to everyone in the plan. And therefore you can see if they can provide that service and what might be involved. So it's not a bad idea to test the waters and let them know that we're testing the waters and they should bring their A game to their qualification statement.

Catherine:

I just want to add. I think it'll be important to make sure we get apples to apples. What Morgan Stanley provides is not necessarily what other investment advisors are actively managing our-

David:

That's a really key point because a lot of these firms, Vanguard for instance, they're not going to actually manage the plan. You're just going to get thrown in with whatever mutual funds they have available that generally meets your objectives. We'll have to make sure that we have a really sharp advisor.

And I wouldn't want to go back to the point where they would start asking us to do some of the detail selections. Well, you pick.

That's the way it was.

I know. I don't want to go back to that. I want them to give us the advice and let us discuss it, but I don't want them to leave us on our own.

Suzanne:

Yes, Rochelle and Larry and I should work on the RFP along with Catherine, because it should be very clear about what we're looking for. We definitely want not only an investment advisor, but a money manager. And so that's going to be important. There are a couple things that I hear you guys saying that I think are really important. One is that it's good practice. Two is that it's something that everybody can learn from. And what we're looking for is not to find five other Steve's who do things exactly the way Steve does and compare them per se.

What we want to do is there are people who manage pension money in various different ways. Some are the actual money manager, some are the investment advisors like Steve is. Some like Vanguard do a much more packaged product, and I wouldn't just dismiss them at large. They're actually very good at this and some do very white shoe individual investments and individual money management handholding.

So we want to make sure that we get a cross section of how these folks actually do the work they do. And if we want to have somebody who is similar to Steve come in just for comparison, we can also do that at the end of the day. But what Steve does is he's an excellent investment advisor. He's very smart,

but he follows Morgan Stanley's protocol. He outsources 99% of our investments to money managers and mutual funds, and he oversees it, where other people may actually manage the money.

So there's different ways to approach it, but I'm very in favor of doing this. I think everybody will gain from this, and I think to the point, I think it was Mario who was speaking that at the end of the day, I think what you're going to find is that we're paying a very meaningful amount of money for the investment advice we're getting and that we should be able to do better even if we stay with Steve. So if nothing else, that would be a bit of a benefit for us.

David:

If I may, Suzanne, just to follow up on Catherine's note, one of the pieces that we just keep in mind is if we do end up making a change, we have to have a mechanism to explain to the employees that we're making a change. Because at the end of the day, they're going to be like, "Well, wait a minute. I was comfortable with these people and now why is there a change going on?" So we just have to have that communications tool in place beforehand.

Part of the strategy.

Suzanne:

Sure, absolutely. Especially since they have contact with them on the 401K.

David:

Yes.

David:

I had one other thought, and Larry started to say a little bit of it, but I thought maybe the outgoing and the incoming chair could be the two that could comb through some of this. We've got a four-month period which should do this. We're going to do it in a timely manner to make it logistically smart. And so maybe it would be easier if Suzanne and Catherine could work with Rochelle and Larry to get either the RFQ or RFP or RFI, whatever. I know they're different, but-

David:

It's a pretty short window.

Yes, exactly. So I mean, I'm hoping by the next board meeting you'd potentially have a path that we could vote on. We could call a special meeting of the pension committee, but nonetheless, August 24th, just to give us a path. And even if it's a YouTube meet and you find three that you want to interview, you do the pre-interviews with them and then maybe pick the one and then we would all interview the one and see what we got, unless it was the same one.

I don't think we're going to get an RFI or an RFP out.

No, no. But you would know which one you're going to do by then.

Oh Yes. We would have-

Between an RFI and an RFP.

David:

Yes. Make that decision and what's contained in it, what you're looking for in the services, all of that logistical type stuff. If you guys don't mind working on that and then coming to us so that we can approve it.

David:

You can get info from Jeff Bauer, who [inaudible 01:07:46].

David:

Yes. If you've got him on board, you've already talked to him.

David:

We've already talked to him. He was very helpful.

David:

Yes. Good. [inaudible 01:07:52] $7,000 or something, was very reasonable.

David:

Sorry, Suzanne.

Suzanne:

That's okay. A couple things. One is let's just do one step at a time if we can. So am I understanding from the group that it seems like we're in favor of moving forward to go out and meet some other investment advisors and interview them and we can talk about what way to do that in a second, but is that the consensus of the group?

David:

Yes.

Yes.

Suzanne:

Secondly, I recommend that we follow Larry's advice and do the [inaudible 01:08:27] the information request for proposal rather than the RFP. Does that sound okay to everybody?

David:

Yes. Everybody's saying yes here.

Suzanne:

Okay. And then on the third piece, I actually would like to reserve judgment about Catherine and I working in a subcommittee of the subcommittee. Because I do believe that the interview process is part of the learning for everybody who's on the committee. And I don't necessarily want us to recommend

who we find. I'd like to think more about that, and I'd like to see who responds to our request for proposal before we actually make that decision. Is that okay with everybody?

David:

Sure, with me.

David:

I actually agree with Suzanne. You learn a lot in the interview process.

David:

So you're thinking all of us would benefit.

David:

Absolutely.

David:

Yes, okay.

Suzanne:

I do. If we get 10 and there's a lot of duplication, we certainly can step in and do some culling if the fellows who are running the whole process don't feel comfortable doing it themselves or want us to be a part of it. But I would say that I think we should have the benefit of hearing the different perspectives and processes that these different entities use.

David:

Well, we could rely on your experience, the two of you ladies, with your professional experience with this, along with our staff and the other followers, to see whether there's duplication and to get it down to a manageable number that would be beneficial for us to hear from.

Suzanne:

Yes, I think that's the idea. Get it down to a manageable number rather than to make a recommendation and bypass the learning process. If everybody's okay with that, we'll see what happens, what we get back, et cetera. Okay. Well, unless there's anything else on that, I don't know that we need an official vote, do we, David?

David:

No, no. The consensus is clearly there. We heard from all five of us.

Suzanne:

Okay. Yes, and it's part of our committee charter, so we're just going to exercise our rights to do that. Okay. Very good. All right, so moving on to the next section close. If someone can just tell me what's on the next [inaudible 01:10:53].

David:

The resolution, the 10th and 11th amendments to the volunteer investment plan regarding folding in the Wells services people into the plan.

Suzanne:

Okay. And since you're putting in this option, do you want to say something about it or does Rochelle want to say something about it or you want to just put it on the table for consideration?

David:

I'll be here.

Rochelle:

So Yes, the detail was provided confidential-

Suzanne:

Rochelle, can I ask you-

David:

We're going to move the microphone, maybe.

Rochelle:

So the details of the actual amendment are confidential, but the resolution is basically regarding the pending acquisitions and the one will be the 11th amendment's contingent on the RPB approval and the 10th amendment is contingent on the closing.

David:

Would you like a motion?

The committee should make a motion to recommend to the authority board.

Catherine:

I make that motion.

David:

Okay. Second? Sir. Suzanne, are you there?

David:

I think she may have lost.

David:

Yes. Well, we'll just continue on with a motion on the floor and a second for approval of the two amendments. As we said, the new, Rochelle explained. Any further discussion or questions?

David:

No.

David:

All right. Sensing the four of us that are here at the moment are ready to vote, all those favor signal or by saying aye.

Committee:

Aye.

David:

Good. Okay. Passes unanimous. With that, it's time that the pension committee adjourn.

Catherine:

Mr. Chairman, I move be adjourned as the pension committee and reconvene as the Authority board.

David:

All right.

Mario:

Second.

David:

Second. All those in favor say by saying aye.

Committee:

Aye.

[PENSION & BENEFIT COMMITTEE ADJOURNS AT 1:48 P.M.]