

**CITIZENS PROPERTY INSURANCE CORPORATION**

**MINUTES OF THE  
FINANCE AND INVESTMENT COMMITTEE MEETING  
Tuesday, December 15, 2020**

The Finance and Investment Committee (FIC) of Citizens Property Insurance Corporation (Citizens) convened by Zoom Webinar on Tuesday, December 15, 2020 at 11:00 am (EDT).

**The following members of the FIC were present electronically:**

Carlos Beruff  
Marc Dunbar  
Carlos Lopez-Cantera  
Bette Brown

**The following Citizens staff members were present electronically:**

Jennifer Montero  
Barbara Walker  
Dan Sumner

**The following people were present electronically:**

Kapil Bhatia                      Raymond James

**Call Meeting to Order**

**Barbara Walker:** Good morning, and welcome to Citizens Finance and Investment Committee webinar hosted through the Zoom platform. This meeting is publicly noticed in the Florida Administrative Register to convene at 11:00 a.m. For any users who are attending today's session through the public link, you are automatically in listen only mode. Citizens' Board and committee meetings are recorded with transcribed Minutes available at our website. Thank you for identifying yourself prior to addressing the committee. Chairman Beruff, would you like to proceed with a roll call?

**Chairman Beruff:** Please do.

**Barbara Walker:** Chairman Beruff.

**Chairman Beruff:** Here.

**Barbara Walker:** Governor Brown.

**Governor Brown:** Here.

**Barbara Walker:** Governor Dunbar.

**Governor Dunbar:** Here.

**Barbara Walker:** Governor Lopez-Cantera.

**Governor Lopez-Cantera:** Here.

**Barbara Walker:** Chairman, you have a quorum.

**Chairman Beruff:** Thank you. So, we will proceed with the presentation.

**Barbara Walker:** We will convene with quorum, thank you.

1. Approval of Prior Meeting's Minutes

**Chairman Beruff:** I entertain a motion to approve the September 21st Minutes.

**Governor Brown:** I move to approve, Bette Brown.

**Governor Dunbar:** Second, Marc Dunbar.

**Chairman Beruff:** Great. All those in favor signify by saying aye.

**(Chorus of ayes.)**

**Chairman Beruff:** The motion carries. Very good, thank you. Now, we are going to go to Raymond James financial adviser.

2. Raymond James Financial Advisor

a. Market Update

**Kapil Bhatia:** Good morning, Mr. Chairman.

**Chairman Beruff:** Good morning.

**Kapil Bhatia:** Good morning, Mr. Chairman, and Board of Governors. For the record, my name is Kapil Bhatia and I work for Raymond James & Associates and we are your financial adviser. As always, I will start with the market update, but please stop me at any point of time if you would like me to expand on some specific point or add any additional information. And I will be brief, but please stop me at any point of time. Can you hear me okay? I just want to make sure.

**Chairman Beruff:** Yes.

**Kapil Bhatia:** Good, thank you. Starting with the economic and financial markets, total nonfarm payroll employment rose by 245,000 in November, and the unemployment rate edged down to 6.7%. These improvements in the labor market reflects a continued resumption of economic activity that had been curtailed due to the COVID-19 pandemic and efforts to contain it. The unemployment rate is down by 8% from its record high in April but is still 3.2% higher than where we were in February. The number of unemployed persons currently stand at 10.7 million and continue the trend down in November but is still 4.9 million again higher than where we were in February. In addition, the labor force participation rate edged down to 61.5% in November, and this number is 1.9% below where we were in February, translating into an additional 4 to 4 ½ million people looking for work. If we add those two numbers up currently 15 to 16 million people are either looking for a job or waiting for economic activity to resume so they can go back to their prior work.

In the U.S., multiple federal stimulus packages in the total amount of approximately \$3 trillion have been passed in an attempt to shore up the economic conditions and financial markets as well as to mitigate the impacts on businesses and individuals. In addition, currently there is a \$908 million bipartisan package that is being broken up into two bills. One that includes funding for jobless benefits, vaccine distribution and small business loans, in the amount of \$748 billion. And the other that may not be as bipartisan, that offers aid to states and municipalities in the total amount of \$160 billion and that is really what is needed for economic activity to continue at least until and unless the vaccine is distributed more broadly. Interest rates are low and expected to remain low. In addition, the Fed is in full Quantitative Easing mode, and its current balance sheet is \$7.2 trillion as compared to \$4.2 trillion on December 31st, 2019. This means that Fed has increased its balance sheet by approximately \$3 trillion to continue the economic growth which we are all struggling with. Before the contraction due to the COVID-19, U.S. GDP had grown nearly unimpeded since the Great Recession of 2007 and 2008. During the record expansion, the unemployment rate fell to a 50-year low to 3.5% and the U.S. economy added jobs for 113 months in a row. However, we have lost almost three-quarters of those jobs as I mentioned earlier over the last eight months.

Real GDP dramatically decreased in the first half of the year as a result of COVID-19 at an annual rate of 5% in the first quarter and at mind boggling rate of 31.7% in the second quarter. However, all of that was recovered in the third quarter when the GDP increased by 33.1% as efforts continue to reopen businesses and resume activities and that will continue as we move forward. Current dollar GDP increased by \$1.64 trillion in the third quarter to a level of \$21.16 trillion. Nonetheless, compared to the end of 2019 by the fourth quarter of 2020 the real GDP is projected to be 4% to 5% lower and an additional 1.5% to 2% lower in 2021, to again close at \$21 trillion. In summary, we expect GDP at the end of 2021 to be at the same level where it was at the end of 2019, effectively making 2020 and 2021 as two lost years from an economic growth perspective. The equity market took a significant downturn earlier in the year, however, recovered nicely as Fed started to expand its balance sheet and both S&P 500 and Dow Jones Industrial average are higher for the year by 14% and 5.5% respectively. But the markets don't reflect small businesses which are suffering the most from COVID crisis.

As I said earlier, interest rates are low, expected to remain low. On March 9th, 30-year treasury closed at 99 basis points, and 10-year treasury rate went as low as 54 basis points. We have

recovered partially since then. Currently the 5-year and 10-year treasury rates are 37 and 90 basis points, respectively.

Corporate credit and fixed income markets are back to pre-COVID levels thanks to Fed for providing liquidity and support. Corporate investment grade index spread is at 121 basis points above treasury rates as compared to 270 basis points over treasury rates in March. As I mentioned earlier, fixed income markets are pretty strong and stable. 2020 corporate issuance is 61% higher than where we were in 2018, and 59% higher than where we were in 2019, with \$2.2 trillion of total issuance. All of that corporate issuance is to build and meet the potential cash flow needs as well as liquidating needs and reserves. Municipal issuances are also strong and that is a reflection of low interest rates. Moving on to the risk transfer market. Reinsurance pricing conditions softened from 2015 through 2017, but since that point of time the prices have started to harden. And 2019 was one of the hardest reinsurance years over the last 10 years. The insurance industry has incurred approximately \$19 billion of losses from Hurricane Irma and Michael and is projected to incur approximately \$21 billion in total losses. Globally, \$275 billion of insured losses were incurred by the insurance companies and the reinsurance companies in total from 2017 to 2019. Despite the COVID-19 pandemic the Cat bond market segment of the insurance linked securities remain stable with a \$10 billion year-to-date issuance and the total current outstanding amount is \$42 billion. We expect reinsurance markets to be stable for the upcoming year, and that is because of the low interest rates and we don't believe reinsurance rates to significantly increase this year as \$20 billion of new capital has been added to the risk transfer market and they're looking to assume more risk. We expect rates to go up, but nowhere close to how the rates went up in 2019 and 2020, and we likely should expect rate increases of approximately 4% to 5% higher in 2021 compared to where we were in 2020. I will stop here and to see if you have any questions for me. Okay. If there are no questions, thank you, Mr. Chairman, I will pass it back to you. Governor Brown, do you have a question for me?

**Governor Brown:** No. Just thanks for a great report. No, I didn't have a question. Appreciate the update though.

**Kapil Bhatia:** Thank you. Thank you, Governor Brown.

**Chairman Beruff:** Now we will hear from Jennifer on our update.

### **3. Chief Financial Officer Report**

#### **a. Reinsurance Advisory and Brokerage Services [Action Item]**

**Jennifer Montero:** Thank you, Chairman. Behind tab three you will find the reinsurance advisory and brokerage services executive summary and action item. As you recall during the September 23rd, 2020 Board of Governors meeting, staff recommended an award to contract with Willis Re for reinsurance advisory and brokerage services for the initial term of three years and for two one year renewals for an amount not to exceed \$17 million or \$3.4 million per year. Due to the uncertainty regarding the pending merger with Willis Re and Aon, Citizens' Board instead approved a one year extension of Willis Re current contract, which expires December 31st, 2020 for \$3 million. However, for various reasons there were no more renewals available for the

current contract under Chapter 287, the Florida Statute. The staff is recommending approval of a new one year contract with no renewals for \$3 million as an alternative. The services will include a comprehensive reinsurance advisory and brokerage services consisting of access to all traditional risk transfer markets, brokerage administration services, program analytics and an annual risk transfer plan. And I will pause there before reading the action item. Any questions?

**Governor Brown:** Jennifer?

**Chairman Beruff:** Go ahead, Governor Brown.

**Governor Brown:** Jennifer, Bette Brown. How many years has Willis Re been doing for us, just curious?

**Jennifer Montero:** They just finished a five-year contract as co-brokers with Guy Carpenter, and they both were at the five years before that so, 10 years as co-broker. This will be the first as a single, as a sole broker.

**Governor Brown:** Thank you. I thought we had been doing business with them for a while. They know us pretty well, thank you.

**Chairman Beruff:** Governor Lopez-Cantera.

**Governor Lopez-Cantera:** Thank you. Jennifer, the summary says for various reasons there were no more renewals available for the current contract under Chapter 287. What were those reasons?

**Jennifer Montero:** Is Dan on the call by chance?

**Chairman Beruff:** Yes, he is.

**Jennifer Montero:** Dan, is that something you can speak to?

**Dan Sumner:** Could you go back and one more time summarize the question?

**Jennifer Montero:** Sure. In my comments I said that we for various reasons there were no more renewals available for the current contract under Chapter 287 which is why staff is recommending approval of a new one year contract with no renewals for \$3 million as an alternative. And Governor Lopez-Cantera was asking what those various reasons consisted of.

**Dan Sumner:** Yes, in Chapter 287, once you have exhausted your renewals that are available, the only way you can continue is if there needs to be a continuation of services due to facts where that is a necessity, and in this situation that could not be demonstrated.

**Governor Lopez-Cantera:** Well, as I recall from the Minutes of the Board meeting, I believe someone said that the combined renewal shall not exceed the original term, and at the Board meeting it was -- it was our understanding that we were within that time frame.

**Dan Sumner:** I think that is one of the provisions, but also when you cannot exceed the renewals cannot exceed the original base, also once you exhaust your renewals in the procurement, then you cannot renew again under 287 unless there are specific circumstances having to do that you have to continue the project through no fault of the vendor, and that really doesn't apply here because essentially there is no continuation of the project. So, the years product has been completed.

**Governor Lopez-Cantera:** So, there were no renewals left.

**Dan Sumner:** There were no renewals left.

**Governor Lopez-Cantera:** Even though we were told, the Board was told there were.

**Dan Sumner:** I don't recall that, but whenever we looked at it there were no renewals left.

**Chairman Beruff:** Can I have a discussion with Governor Lopez-Cantera, I want to get a better understanding of what exactly we are talking about. What service do these people provide?

**Jennifer Montero:** This is a broker; this is the brokerage and reinsurance advisory and brokerage services.

**Chairman Beruff:** So, they are a consultant that gives us advise?

**Jennifer Montero:** Well, and yes, and they act as our broker and administrator, they do modeling for us. They go in the road shows with us. They help us procure reinsurance in relationship with the reinsures.

**Chairman Beruff:** So, they are represented when we go to the reinsurance market?

**Jennifer Montero:** Yes.

**Chairman Beruff:** And the original contract was for what term?

**Jennifer Montero:** The original, we did a procurement back in July of 2020, and we came up with an award and we brought that award to the Board in September. And at that time, it was Willis Re who was the one that we awarded was going, they're going through a merger with Aon. And there were concerns of what would happen with that merger. And I believe Governor Dunbar suggested, well, since we don't know what is going on, how about we just try to extend this current contract for one year and see what happens and then we would re-solicit it in July of 2021. The problem was when we went to go through that, under the 287 statute, it doesn't allow us to do another renewal. So, we were coming back with just saying, okay, we will do the same in essence of having a one year contract with no – no renewals and not to exceed the \$3 million as an alternative to be able to extend that contract. And then we would redo the solicitation in July of 2021.

**Chairman Beruff:** I vaguely remember some of that discussion in September, where I think the issue was who is going to be on the new team after the acquisition and are, they people that you are used to working with, and whether or not they survive the merger, does that make sense?

**Jennifer Montero:** Yes.

**Governor Lopez-Cantera:** It was also the issue of Aon backing into getting this contract even though they had bid more than -- I should say they had underbid Willis Re, if I recall, by \$400,000 and there was a little unease about the possibility of this being awarded to Willis Re and then ending up by default with Aon. And then benefiting by default, even though I think I commented that I doubt that they're doing a multi-billion dollar purchase with Willis Re just to make \$400,000 additional money.

**Chairman Beruff:** Understood. And so, we are recommending a one year new contract period.

**Jennifer Montero:** A new contract one year, no renewals, not to exceed \$3 million.

**Chairman Beruff:** And that is \$400,000 than our previous contract?

**Jennifer Montero:** No, the previous contract was a joint, it is co-broker.

**Chairman Beruff:** Co-broker.

**Jennifer Montero:** It was \$1.5 million each.

**Chairman Beruff:** Okay.

**Jennifer Montero:** I gave Governor Dunbar the wrong information when he asked me before the meeting what the -- if you were to go sole what that would be, I thought it was \$3 million and it turns out I was incorrect, it was \$2.15 million. They had negotiated down if they got sole brokerage, that they would go cheaper, and this is the former contract. But in the new contract it was Willis Re had suggested it was five years. Three years with two renewals for \$3.4 million a year. And so, we were able to negotiate with them. They would go down to three for this one year before we re-solicit and hopefully the merger with Willis Re and Aon would be complete by that and we would have a better idea of how -- how it looks.

**Chairman Beruff:** So just to understand, when the contract was sole provided they were going to go down to \$2.194 million?

**Jennifer Montero:** \$2.15 million was in the old contract. That was what they had negotiated back.

**Chairman Beruff:** So, it's between \$2.15 million and now \$3 million.

**Jennifer Montero:** Right. But the \$3 million --

**Chairman Beruff:** That is significant.

**Jennifer Montero:** It was, the new contract if it had gone through would have been \$3.4 million per year.

**Chairman Beruff:** Are there other providers for this service?

**Jennifer Montero:** Yes, there were three providers. Three people responded.

**Chairman Beruff:** The others were all higher than that?

**Jennifer Montero:** No, this was an ITN that was based off of best overall quality, et cetera. Aon was very close to their price, and the third vendor was significantly lower.

**Chairman Beruff:** So, the vendor that gave us a \$2.150 million doesn't exist anymore?

**Jennifer Montero:** No, that was the old contract when -- when Willis Re and Guy Carpenter were co-brokers. In the contract if anything happened, we chose to terminate one of them or if one of them decided to leave and the other became sole broker, that contract said they would go to \$2.15 million. From \$1.15 million to \$2.15 million.

**Chairman Beruff:** Yes, I start getting fixed on the \$2.15 million.

**Jennifer Montero:** From \$1.5 million to \$2.15 million, right.

**Chairman Beruff:** I understand. There must be reason why the \$2.15 million turns into \$3 million.

**Jennifer Montero:** Well, the \$2.15 million was then trying to fight for co-brokers and go lower and lower at the time. That was five years ago. This contract, we made it clear we were looking for a sole brokerage, not a co-brokerage.

**Chairman Beruff:** And the term of the contract is from when to when?

**Jennifer Montero:** Well, the original one --

**Chairman Beruff:** The one that we are proposing today.

**Jennifer Montero:** The one we are proposing today is just one year, January 1 to December 31st, 2021. No renewals, not to exceed \$3 million.

**Chairman Beruff:** You will have to excuse me, because unfortunately I am trying to get caught up on stuff that you all know. So, I will be asking questions just so that I get a better understanding of the history.

**Jennifer Montero:** Sure.

**Chairman Beruff:** Thank you. Any other Board members want to comment on what we have got before us?



**Governor Dunbar:** Mr. Chair.

**Chairman Beruff:** Yes.

**Governor Dunbar:** So, what I was hoping to do when I had asked what the contract provided for if there was not a co-brokerage, was to try to find a benchmark amount that will essentially split the baby to give us time to allow the marketplace to work through this agreement, Department of Justice to decide whether or not there are antitrust problems with this merger. And so that is why I suggested the \$3 million. And yes, there was that mistake that was in there which is why there was some confusion in how the \$3 million got in. So, for whatever that is worth. I understand the issues that we are struggling with in terms of the procurement. The big concern that I had at the Board meeting was committing to a three-year agreement with a partner that we might not necessarily know who it is, whether we have their staff, because there is then in the marketplace folks from Guy Carpenter that announced that they are leaving in light of the Aon acquisition. And so maybe just allowing everything to settle for a year and just do a one year contract. I know that Aon came in as the lower bidder on one portion of it, but they were the higher bidder in the event we did not choose to place reinsurance next year. And I think the discussions that we had at the last committee meeting and also discussions that I have had with Barry and Jennifer it is very, unlikely that we will choose not to place reinsurance next year. So, the fact that Willis was the lower bidder because they were cheaper if we did not place reinsurance next year, you know, you kind of throw that out. I don't know necessarily what the answer is in light of the 287. I was comfortable with trying to just come in at a place that was within budget that gave Jennifer the team she was looking for, but I certainly understand the sensitivity around the Chapter 287 issues, and also in light of the fact that it went from \$2.15 million to \$3 million, but I recognize that that was to five years ago. So, for whatever that is worth, I wanted you give you the benefit of that since I was somewhat the instigator of how we got here.

**Chairman Beruff:** I appreciate the background. Is there any other Governor that want to make a comment?

**Governor Lopez-Cantera:** I still had some questions, Chairman.

**Chairman Beruff:** Please.

**Governor Lopez-Cantera:** Jennifer, under which section of 287 are we proposing this one year contract? It is an Invitation to Bid, an RFP or an ITN?

**Jennifer Montero:** It was an ITN that we originally did.

**Governor Lopez-Cantera:** But the ITN was for multiple years. This is for one year. This almost seems like a single source contract.

**Jennifer Montero:** We did not re-procure it. We procured it originally under an ITN, and then with the direction of the Board we are going to extend it but found that we could not. So, we did not use a competitive solicitation other than the original ITN that we did in July of 2020.

**Dan Sumner:** Mr. Chair, if I could add to that. This is Dan Sumner.

**Chairman Beruff:** Yes, please.

**Dan Sumner:** Governor, because of the 287 issues, the way that this is structured, it is a modification of the award to Willis with two modifications. One is the \$3.4 million becomes \$3 million and the term is no longer three years, it is one year. And that is the way this is structured.

**Chairman Beruff:** Can I just clarify what I think has already happened? We already approved this, but we couldn't do it under the mechanism you wanted it done.

**Jennifer Montero:** Correct.

**Chairman Beruff:** So now it is coming back to us as a one year contract.

**Jennifer Montero:** Yes, correct.

**Chairman Beruff:** So now that I understand what we are doing, is there a reason why we shouldn't just re-approve the correct way of doing it is as opposed to the way we had proposed it? I want to turn the motion to approve the motion, to approve the action item.

**(<sup>1</sup>Action Item: Staff proposes that the Finance & Investment Committee review and approve for consideration by the Board of Governors to: a) Approve a contract with Willis Re for a one-year term, with no renewals, for an amount not to exceed \$3 million, as set forth in this Action Item; b) Authorize staff to take any appropriate or necessary action consistent with this Action Item.)**

**Governor Dunbar:** This is Marc Dunbar. **I will make that motion**, Chair.

**Governor Brown:** Bette Brown, **I will second**.

**Chairman Beruff:** Do I have a second? Thank you, Governor Brown. All those in favor signify by saying aye.

**(Chorus of ayes.)**

**Chairman Beruff:** Thank you. **Motion carries**.

**Governor Lopez-Cantera:** Please let the record show I opposed.

**Chairman Beruff:** Again, to my fellow governing Board members, I just want to say that I am going to ask a lot of questions, not because I question anything that has been done, it's just so that I have a better understanding of how we got there. Thank you very much for your patience. And the next item is.

**b. 2020 FIC Charter – Annual Review**

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<sup>1</sup> The formal Action Item recommendation was not read at the meeting.

**Jennifer Montero:** So, the second item I have is the charter. Each year we bring the FIC charter to the Board or to the FIC Board members to evaluate and make any changes necessary. Staff did not recommend any changes. There were two grammatical corrections made, but other than that, nothing has been changed.

**Chairman Beruff:** Thank you, Jennifer. Any comments from the Board members on that item? Is that an action item?

**Jennifer Montero:** Is it an action item, Barbara, the FIC charter? Okay.

**Chairman Beruff:** Then unless there are any questions, we will move on to your next topic.

c. Investment Portfolio Update

**Jennifer Montero:** And my next topic is the investment report. And I believe that we are going to see that on the screen. So, we will move to the first slide. The total portfolio is \$9.3 billion with approximately \$8.8 billion or 95% is externally managed by 10 money managers. The remaining \$500 million or approximately 5% is internally managed and is primarily consisting of operating funds, debt service funds and debt service reserve funds. The taxable portfolio is \$8.5 billion or approximately 91% of the total portfolio, and the tax exempt portfolio is \$810 million or 9%. The portfolio is very conservative and stable with sufficient liquidity to pay any current claims or potential future claims. The total portfolio average duration is just over 4.66 years. The total return and income return for one year are approximately 5.74% and 1.42%, respectively. The total return reflects a significant increase in the market value of the portfolio as interest rates have significantly decreased since March. However, the interest rates and corporate spreads have begun to stabilize due to the Fed's intervention over the last nine months. The portfolio is stable, but the total return is expected to continue to decrease as the portfolio matures over time and is expected to decrease to approximately 5% over the next six months. The income return is expected to remain stable at current levels of approximately 1.5% plus or minus 10 basis points or 50 or 60 basis points above the current 10-year treasury rate.

The next slide, please. Rate for treasury increased in 2017 and 2018 but has significantly decreased in 2020 and are now expected to remain low over the next two years. The yield curve has steepened as the Fed has cut the Fed fund rate to zero to .25%. However, absolute rates remain at historical low levels. Tax exempt rates are also decreased, but at a slower pace than the treasury rates declines. Slide three, please. Both the taxable and tax exempt portfolios both very strong credit quality. Approximately 76% of the taxable portfolio is in money market funds or rated "A" or higher, and 100% of the tax exempt portfolios in money market funds or rated "A" or higher, and approximately 33% of the total portfolio is in treasury and agency security or in money market funds. And slide four. The portfolio income return was 1.43% over the last 12 months and 1.9% over the last two years, and the portfolio total return was 5.7% over the last 12 months and 7.17% over the last two years. And that completes my investment report.

**Chairman Beruff:** Perfect, thank you. Item number four.

**Governor Dunbar:** Chairman, this is Marc Dunbar. I had a couple of questions.

**Chairman Beruff:** Yes. Okay.

**Governor Dunbar:** Jennifer, on your materials I typically ask about the flag securities, the two Occidental investments. Can you tell me a little bit about that on the last page?

**Jennifer Montero:** Yes, and you are referring to the appendix, correct?

**Governor Dunbar:** Correct, I am on page 17 on the attachment, downgraded security slide which I guess would be slide 11 or page 11, yes.

**Jennifer Montero:** So, this is an investment that was downgraded. And when a security falls out of our investment policy sometimes it is worse for them to sell it. And they come to staff and ask if they should hold it for a period of time, and these are ones that have been downgraded, but for various reasons they are monitoring the holdings. And they are going to look to sell it, but it's more harmful to sell it right away rather than to hold it. So, we approved this money manager to hold this investment that was downgraded recently.

**Governor Dunbar:** Okay.

**Kapil Bhatia:** Governor Dunbar.

**Governor Dunbar:** Yes.

**Kapil Bhatia:** This is Kapil Bhatia. This report is as of October and the security as you know, oil prices were significantly down and Occidental ratings were downgraded. So, we decided to hold on to it after conversation, we have looked at it since that point of time. When the report was generated the security was trading at 80 cents to a dollar, and currently it is trading at 90 cents to a dollar. There is a year-end pressure on this security to sell it and therefore the security pricing is not behaving that well. We plan to liquidate it in the first quarter as the market stabilizes and most of the year-end tax losses have gone. So, this typically should be out of our portfolio by the next March. Once it gets to 93 or 94 cents to a dollar.

**Governor Dunbar:** That is great. Just a follow up then. So, you know, I ask when I see downgrades as you all call it since I have been on the Board. I am curious in terms of how these investments come to us, who the investment adviser is associated with it just as a matter of, you know, just Board knowledge. Because every couple of years we are voting on investment advisers, and if one particular investment adviser is the one that usually is holding the downgraded securities or has placed downgraded, securities that wind up being downgraded in our portfolio, I would like to sort of know who it is. So, what I was going to ask is it possible to start carrying the investment adviser's name associated with the holding, so we know the investment adviser that is associated with the holding?

**Kapil Bhatia:** Sure, Governor Dunbar. We can and you have the complete list on page, slide four of the detailed one. The portfolio is very widely invested. As you can see, we have 10 managers as Jennifer mentioned managing the taxable and only one manager managing tax exempt portfolio, and the amount of funds we manage as you can see. We will start including it in the

report, but just from portfolio perspective, our total portfolio is almost \$10 billion, we have one security name downgraded, Occidental Petroleum, in the amount of \$5 million.

**Governor Dunbar:** Yes, I understand that it is an inconsequential amount. It is just we wind up having these about every couple of meetings. I am just curious for my own edification where these holdings come from. And so, I would just like that information if I can.

**Jennifer Montero:** Yes.

**Kapil Bhatia:** Yes, we will include that going forward and I can just give you the name for this one, it is UBS who currently holds the security. They currently manage almost \$1 billion or \$950 million. So, for your reference going forward, and it is usually a different manager, we will add the name of the investment manager.

**Governor Dunbar:** Thank you.

**Kapil Bhatia:** Mostly, yes, we usually bring it to your attention, but at this point in time we don't consider this security to be at significant risk of any further downgrade. When the security initially gets downgraded the price moves significantly and then it starts to recover.

**Governor Dunbar:** No, I understand.

**Chairman Beruff:** Governor Dunbar, I just want to make sure that what you are advocating for is that we have the money manager responsible for the portfolio in the presentation so that we know who they are, correct?

**Governor Dunbar:** Yes, sir.

**Chairman Beruff:** I certainly agree with that. And if I am reading this report right, the securities that we are concerned about are both Occidental Petroleum Corporation?

**Governor Dunbar:** Yes, sir.

**Chairman Beruff:** And I like your idea. I think everybody in the room understands what happened there. COVID drove all the oil companies under water and they will all come back. And I think it is a smart move sometimes to hold. What is the trading, what is the trading, what is the debt trading now, 90 cents on the dollar?

**Kapil Bhatia:** As of this morning, it is trading, Mr. Chairman, at 90 cents. And at the time of this report, it was 80 cents.

**Chairman Beruff:** Right, I understand. I understand the report is a back dated report. Is there -- is there -- Jennifer this is to you. Do we get involved at all in making those decisions when they trade out of these positions?

**Jennifer Montero:** When they go into the down --

**Chairman Beruff:** For example, right now it is at 90 cents on the dollar. It was at 80 cents when this report was generated. We are anticipating it will be at 94 cents in the first quarter, correct? That is what I think I heard from the gentleman. Okay, the question is, is there a reason why you just don't hold for three-quarters and get it back to 100 percent?

**Jennifer Montero:** Yes. Kapil and I and the staff worked together.

**Chairman Beruff:** So, they don't auto trade without your consent.

**Jennifer Montero:** The minute they are out –

**Chairman Beruff:** They're negative.

**Jennifer Montero:** The minute they are out of compliance they are required to send me an e-mail, Kapil an e-mail, Jonathan Norfleet an e-mail and Andrew Woodward.

**Chairman Beruff:** That is what I wanted to hear.

**Jennifer Montero:** And we make the decision on how to handle it.

**Chairman Beruff:** Well, thank you again for me asking the question. So, you will control whether or not we trade out of that, because if the market continues to improve as we anticipate it will, we don't need to take a loss on the trade.

**Jennifer Montero:** Exactly.

**Chairman Beruff:** Thank you.

**Kapil Bhatia:** Mr. Chairman. Can I just add one more comment? Not only regarding this security as Jennifer mentioned earlier, with all of the investment policies very conservative and stable, yes, this security has an unrealized loss of currently almost \$600,000 or \$500,000 at 90 cents. But overall, our portfolio has a total positive mark to market value of \$525 million. Just to put it in perspective how conservative and stable the portfolio is in and Jennifer monitors all of the investment with our help as an investment consultant and working together to make sure the portfolio is stable generating stable returns.

**Chairman Beruff:** As far as I am concerned you are earning 5.74% on the portfolio overall. I want to give you my money. Thank you very much.

**Kapil Bhatia:** Thank you.

**Jennifer Montero:** And that completes my report.

**Chairman Beruff:** And item four there is nothing to present. Then any new business? Is there any Governor who wants to introduce any new business? Then I will entertain a motion to adjourn.

**Governor Brown:** So moved.

**Chairman Beruff:** Thank you Governor Brown, I think.

**Governor Brown:** Yes, I am sorry.

**Chairman Beruff:** No problem. Look forward to our next meeting, folks. The meeting is adjourned.

(Whereupon, the meeting was concluded.)

FINAL