

Investment Practices & Performance Report

CPS Energy Pension Plan

Report
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A Wealth of Wisdom



Investment Practices and Performance Report

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Executive Summary

The CPS Energy Pension Plan (“The Plan”) chose Champion Capital Research (“CCR”) to evaluate their investment practices and performance for the full year 2022. CCR conducted a similar analysis for the Plan in 2020. CCR evaluated governance and investment policies, investment asset allocation, fees and expenses, and processes for selecting and monitoring investments.

CCR is pleased that the Plan has an Investment Policy Statement (IPS) that is consistent with fiduciary best practices. The IPS documents clearly roles, responsibilities, fiduciary status, and specific monitoring criteria. The IPS aligns with industry best practices by focusing on achieving measurable outcomes. The Plan consistently demonstrates a strong commitment to adhering to its governance and investment policies and procedures. Furthermore, the Plan's fiduciaries actively engage in compliance and fiduciary training as required by the Pension Review Board (PRB).

Upon review of the Plan’s asset allocation methodology, CCR found that the Plan engages in a prudent process for developing asset class weights, sub-asset class target allocations and re-balancing bands. The Plan’s process includes the Investment Consultant (“IC”) and Actuary having dialogue regarding capital market assumptions, liquidity needs, future funded ratios, and other analyses conducted on behalf of the Plan. The Plan’s asset allocation and re-balancing policies are derived using a sound and prudent process consistently applied.

In terms of expenses and fees, the Plan has a robust monitoring process for assessing and monitoring fees and expenses. The Plan’s staff tracks both investment and administrative fees and annually prepares a comprehensive accounting of all expenses.

The Plan has investment manager selection and monitoring processes that are consistent with best practices. This includes quarterly monitoring of both gross and net performance, enabling a comprehensive evaluation of managers against benchmarks. This has improved the fiduciaries’ ability to assess the net value add for each manager, including privately assets.

In conclusion, the Plan has demonstrated adherence to policies and procedures that are aligned with prudence, care, loyalty, and fiduciary best practices. The commitment of the Plan's fiduciaries to compliance training and fiduciary education is commendable. Prudent asset allocation, fee and expense monitoring, enhanced selection and monitoring procedures for investment managers showcase the Plan's dedication to fiduciary excellence.

Independent Fiduciary Advisor Attestation

Champion Capital Research, Inc., (“CCR”) is a consulting firm that provides institutions with fiduciary consulting services. The firm is a recognized expert in research pertaining to:

- asset allocation modeling
- alternative investment evaluation and due diligence
- risk mitigation
- fiduciary governance

For nearly twenty years, the firm has provided institutions’ managers and employees with education regarding institutional investment and portfolio best practices as they relate to investment governance and management. These "best practice" analyses have enhanced efficiencies in portfolios and in committee effectiveness. CCR clients understand the value of independence and objectivity; many attribute their excess portfolio performance and cost savings to CCR’s services.

The CPS Energy Pension Plan (“the Plan”) selected CCR to perform the Investment Practices and Performance Evaluation and Report, as required by law. The Plan did so through a formal RFP process conducted in 2019. CCR receives no remuneration other than from the Plan for services provided to the Plan. CCR and its related entities are not involved in managing investments for the Plan.

Review of governance and investment policies

CCR completed an analysis of the investment and governance policies that have been adopted by the Plan and assessed the Plan's compliance with these policies. The Plan's Statement of Governance ("SoG") continues to be comprehensive as it relates to the duties and responsibilities of the CPS Energy Board of Trustees ("Board"), the Employee Benefits Oversight Committee ("EBOC"), the President & CEO, and the Plan's Administrative Committee ("AC"). The Investment Policy Statement ("IPS") further defines the roles and responsibilities of the custodial Trustee, the AC, the Investment Managers ("IM's"), and the Investment Consultant ("IC"). CCR reviewed the Plan's IPS, meeting agendas and minutes, experience study, and performance reports. CCR found the Plan's policies, procedures, and governance processes to be robust. Since the 2020 Investment Practices and Performance Report provided by CCR ("2020 CCR Report"), CCR recommended improvements were made to further strengthen policies.

The Plan's enhanced IPS explicitly defines responsibilities of service providers/vendors including Investment Managers ("IM") and Investment Consultant ("IC"). Roles and responsibilities, fiduciary status, and specific monitoring criteria in practice at the time were documented in the IPS for clarification as a result of recommendations from the 2020 CCR Report. Additionally, the Plan added "soft dollar" monitoring policies in its most recent IPS. The Plan is vigilant in its compliance with both its governance and investment policies and procedures, thus, CCR believes the Plan will continue implementing "best practice" processes as best practices evolve.¹

CCR finds the Plan's decision-making processes and delegation of authority among the Board, EBOC, and Administrative Committee to be prudent processes consistently applied. Policies and procedures are clearly outlined such that a competent third party would be able to conduct the operations of the Plan. The Plan's IPS is consistent with best practices regarding measurable outcomes. CCR confirmed that the Plan's fiduciaries are engaged in compliance training and continuing education required by the Pension Review Board ("PRB").

Review of investment asset allocation methodology

CCR completed a detailed review of the Plan's investment asset allocation, including the process for determining target allocations and the expected risk and return metrics. The Plan's process includes the IC and Actuary having dialogue regarding capital market assumptions, liquidity needs, future funded ratios, and other researched analyses conducted on behalf of the Plan. Both the IC and Actuary deliver to the Plan capital market assumptions. CCR tested the methodology used by the IC and AC for determining the Plan's asset allocation. This was done by estimating the target allocation using capital market inputs provided in the quarterly reports. The results of the analysis are detailed in this report and support the Plan's methodology and process for selecting its target asset allocation. Furthermore, the Plan's expected return and expected risk are estimable.²

Our analyses found the Plan to have a prudent process for determining target allocations using the capital market statistics approved by the Plan.

¹ While the IPS does not address the fiduciary status of the IC, CCR confirmed that the IC agreement with the Plan explicitly includes the IC's acknowledgement of its fiduciary status.

² Please see 2021 QCPS EBT – Detailed Performance Report, page 9.

Review of fees

The Plan's investment fees, expenses, and commissions paid during 2022 were assessed. The Plan has many types of investment fees and expenses.³ CPS Energy's staff not only tracks investment-related and administrative fees but completes on an annual basis a detailed fee and expenses spreadsheet. This type of monitoring is an improvement in monitoring policies since the 2020 CCR Report and is consistent with fiduciary best practices.

In summary, CPS Energy has implemented robust monitoring processes for reviewing fees and expenses. CCR encourages the Plan to delegate to service providers the responsibility to report their fees and expenses quarterly, and for those service providers to assess the reasonableness of their fees.

Review of selection and monitoring process

CCR completed a review of the Plan's IM selection and monitoring processes. Now formally defined in the Plan's IPS, the IC roles and responsibilities include assisting the AC through the IM sourcing, selection, monitoring, and termination processes. Also formally included in the Plan's IPS, the IC is responsible for accounting for and reporting any parties receiving "soft dollars" (if any) and/or commission recapture remuneration. With respect to performance, the Plan's IPS requires monitoring gross and net of fee aggregate performance on a quarterly basis for all investments in the Plan's portfolio. These combined enhancements to policies and processes have improved the fiduciaries' ability to assess the net value add for each manager..

The Plan has significantly improved its monitoring processes since the 2020 CCR Report. Specifically, the Plan has implemented a level of that ensures both gross and net of fee performance are compared relative to benchmark, peer groups, and objectives. CCR commends the Plan for monitoring "soft dollar" arrangements, as these arrangements conflict with a fiduciary's duty of loyalty.⁴

In summary, the Plan has strong governance, investment, and monitoring policies and has implemented most CCR recommendations from the 2020 CCR Report, further strengthening Plan governance processes. Importantly, the Plan has improved the information that is reported to the AC at each quarterly review. There is ample evidence that the Plan fiduciaries are making concerted efforts to follow governance and investment policies. Consistent with best practice, the Plan is objectively measuring the costs associated with the management of the Plan. All aspects of the Plan's investment processes have been improved and are in line with fiduciary best practices.

³ Aggregate expenses include investment management, brokerage, trading, profit sharing, carried interest, custody, investment consulting, and fees from operations.

⁴ The responsibility to assist the AC in accounting for any parties receiving soft dollars and/or commission recapture activities has been specifically assigned to the IC in the Plan's most recently adopted IPS.

Investment Practice and Performance Evaluation (“IPPE”) – Monitoring Policies

§802.109 (a)(1) of the Texas Government Code suggests that IPPE include analyses of investment policies adopted by a retirement system and the system’s compliance with that policy or plan. CCR reviewed the Plan’s IPS which was approved by the EBOC in November 2022.

The most recently approved IPS incorporated most of the recommendations made by CCR three years ago. The IPS includes more refined governance, investing, monitoring and custody clearing responsibilities. The roles and responsibilities of the IC are now included in the IPS as recommended by CCR.⁵ The Plan also implemented “soft dollar” policies; in the event the Plan ever enters into such arrangements. Importantly, these improved policies are nicely aligned with CPS Energy’s updated SoG.

In 2020, CCR recommended adding objective, measurable criteria for due diligence, selection, and monitoring of IM and IC. The IM best practice recommendations were made to ensure that each IM is held accountable with respect to performance, holdings, strategy, and fees. The Plan’s IPS was updated to include the following:

1. A 3-year track record;
2. A minimum of \$500M in Assets Under Management (“AUM”);
3. An investment strategy that has demonstrated consistent performance expectations for its respective asset class through its historical risk and return profile (e.g., beta, R2, correlation, or other return/risk metrics);
4. Competitive terms and fees in comparison to peers and similar investment strategies; and
5. A demonstrated ability to generate alpha through a full market cycle (i.e., 3-5 years), within a prudent risk level relative to the investment strategy’s benchmark (e.g., outperformance net of fees, Sharpe Ratio, Information Ratio) and its peers (e.g., above median performance where a relevant peer universe is available).

Criteria one, two and three above are objective and measurable. One can easily monitor and assess whether a manager has the required historical track record and the requisite level of AUM.

With respect to criterion three above, measuring and reporting beta is an excellent way to assess the riskiness of a strategy relative to the overall market. Measuring and reporting the R2 of a manager’s return series allows the AC to assess whether the manager is holding in its portfolio assets that are consistent with its defined style and sub-asset class. Measuring and reporting correlation will give the AC confidence that the strategy enhances the overall risk-return characteristics of the entire portfolio.

⁵ See pages six and seven of the November 2022 IPS for specific and measurable IC monitoring criteria.

Below are suggestions regarding how to measure and monitor a strategy's risk-return profile.

- The performance of the strategy should be in the 75th percentile net of fees, relative to peers.
- The R2 of the strategy should be at least 80% relative to peer benchmark.
- The correlation of the strategy should be at least 90% relative to peer benchmark.
- The Sharpe Ratio of the strategy should be above the 75th percentile relative to peers.

The fourth criterion is measurable. The IPS requires quarterly monitoring of IM fees and expenses relative to peers.

One of the most important risks facing a public pension plan is the risk of an underperforming IM. Such risk of underperformance is a central element to be considered during the IPPE, which is itself a central component of the risk reduction process for Texas pension plans. Section 802.109 (5)(E) requires "...a review of the retirement system's investment manager selection and monitoring process."

The best thinking among fiduciary experts is that the monitoring criteria for investment manager performance is best done using the same objective, specific measurable criteria which were used for selecting investment managers.

It may be appropriate to use "full market cycle" or "investment life cycle" when analyzing the stage of development of a direct real estate investment, as an example. In such analyses, the stages of development may include the following: (1) land or pre-development (i.e., un-entitled or partially entitled land); (2) development/redevelopment (i.e., in process of entitling or constructing improvements); (3) leasing (i.e., less than full or market occupancy); and (4) operating (i.e., greater than market occupancy). Monitoring in such a case could compare the real estate portfolio's exposure to different life cycles through the quarterly performance report, which could indicate the real estate portfolio's non-operating investment exposure is within predetermined guidelines.

For IMs operating in liquid markets, selection, and monitoring criteria could be more specific with respect to time-period evaluation. Importantly, each quarter can be viewed as a new "stress test" for every IM. Each quarter, IMs "run the race" against their peers, and against the appropriate benchmark, and against the return expectations for the asset class associated with that particular IM.

Generally, there is no better stress test than a volatile market, for fiduciaries to evaluate the robustness of an IM performance relative to its peers.

Consistent with best practices, the IPS states that the Plan has a long-term (e.g., 30-year) investment time horizon to meet its objective of equaling or exceeding its actuarial rate of return net of fees. The IPS also states a shorter time horizon in which the Plan investments should meet or exceed their respective benchmarks. The IPS further states that the criteria for putting an IM on watch includes:

- Underperformance relative to the IM's respective benchmark over a 3- or 5-year time horizon;
- Underperformance relative to a relevant peer universe over a 3- or 5-year time horizon, typically defined as below the median performance of the universe.

Consistent with preceding comments, monitoring procedures may be enhanced by assessing an IMs performance at consistent intervals for each IM⁶.

The Plan's policies are generally aligned with its objectives and short- and long- term liquidity needs. Liquidity procedures include the Plan's Actuary and IC communicating regarding short- and long- term liquidity needs. Policy language regarding these communications might include addressing the specific liquidity needs over the next year, the nature of all liabilities, and the current funded status of the Plan.

Other attachments may be included in the IPS as addendums that cover the state and federal laws which are mentioned in the IPS. An attachment that includes a list of all service providers, date of hire, their roles, fiduciary status and fee structure, and three-year review of each would be complementary to existing policies. It may be useful for the IPS to be segregated into groups according to security types, including individual securities (daily valued), pooled securities (daily valued) and pooled securities (less than daily valued and not marked-to-market). Each group should also have a clearly defined investment policy mandate.

⁶ While many use less specific monitoring criteria, it is Champion Capital Research's recommendation to use a three-year time horizon over which to assess an IM's performance, relative to policies, benchmark, and peer group.

Investment Practice and Performance Evaluation – Asset Allocation

Section 802.109(a)(2)(A) requires a review of the Plan’s investment asset allocation adopted by the Plan, how it was determined, the Plan’s compliance with that asset allocation and if the expected risks and returns of the Plan would be likely to achieve the actuarial rate of return. CCR’s review of the Plan’s asset allocation, as well as the process for determining the target allocation determined that the process is robust and consistently applied. The Plan’s process includes the IC and Actuary having dialogue regarding capital market assumptions, liquidity needs, future funded ratios, and other researched analyses conducted on behalf of the Plan. Both the IC and Actuary deliver to the Plan capital market assumptions. The two vendors compare these data and come to agreement on these assumptions.

Below describes the policy and portfolio allocation as of 9/30/2022.

Asset Class	Portfolio Allocation (9/30/22) ⁷	Policy/IPS Allocation	Tactical Allocation
1. Domestic Equity	36.6%	37.0%	+/-5%
2. Global x US Equity	7.9%	10.0%	+/-5%
3. Global x US Low Vol.	7.8%	7.5%	+/-5%
4. Real Estate	11.7%	10.0%	+/-5%
5. Master Limited Partnerships	9.1%	7.0%	+/-5%
6. Hedge Funds	5.6%	5.0%	+/-5%
7. High Yield Bonds	7.2%	7.5%	+/-5% subj. to cap
8. Global Fixed w Emerging Markets	2.0%	2.0%	+/-2% subj. to cap
9. Leveraged Loans	4.3%	4.0%	+/-2% subj. to cap
10. Aggregate Bonds	7.7%	10.0%	+/-5%

The Plan portfolio’s overall risk tolerance is represented by the strategic asset allocation and risk monitored in the IC’s quarterly monitoring report.⁸ The Plan’s portfolio is reported to have a standard deviation of 12.46 (92%), which is among the highest in its peer group. Risk, relative to return, as measured by the Sharpe Ratio is used to express the added value of the excess risk. In the same report, this kind of risk is also high relative to the Plan’s peers. With respect to the risk inherent in strategic asset allocation, or policy risk, our findings are similar.

The Plan’s approach to asset allocation is based on mean-variance optimization methodology. The methodology used to determine and evaluate the strategic asset allocation was assessed and the policy allocation was re-engineered by CCR to identify the portfolio’s current asset allocation using capital

⁷ Portfolio Allocation was taken from 9/30/22 IC performance report and the Policy Allocation from the Plan’s IPS.

⁸ Please see 2021 QCPS EBT – Detailed Performance Report, page 9.

market assumptions. The difference between CCR's numbers and the IC's reported numbers is between one and two percentage points. Using the IC's data and CCR data, the expected return of the policy portfolio is 7%. The IC derived an expected standard deviation of the portfolio of 11.34%. CCR derived the expected standard deviation of the portfolio to be 12.90%. Despite the larger standard deviation found by CCR, and the resulting nearly 3% point increase in the large loss estimate, this relatively small difference between these two measurements is a positive result that reflects prudent risk management.

With respect to funding, generally any plan approaching full funding should continue with the funding and asset allocation and investment policies that got them to that point. A plan with a surplus should take steps to protect and maintain the surplus, including but not limited to de-risking of the assets, continuing to make contributions, and considering benefit improvements if prudent. Per the December 31, 2022 audited financial statements, the Plan is 81.6% funded. In general, both IC and the Plan fiduciaries understand this dynamic and periodically meet to discuss cash flows and liquidity risk, such as an increased wave of retirement/expected payouts.

Investment Practice and Performance Evaluation – Fees and Expenses

Section 802.109(a)(3) Requires a review of the appropriateness of fees and commissions paid by the retirement system. Based on all available direct and indirect expense information, CCR created a Pension Review Board (“PRB”) Section 802.103 Expense Report. CCR compared the Plan fee and commission data with proprietary and publicly available fee and commission data for public plans of similar size.

§802.109(a)(3) of the Texas Government Code expects fiduciaries to assess the appropriateness of fees and commissions paid by the Plan, including identifying and accounting for soft dollars and/or commission recapture activities.

IM fees are now more clearly reported quarterly in the new and improved IC quarterly reports. Quarterly and annual fee analyses continue to include fees charged for fund investments, whether paid directly by the Plan or deducted from returns.⁹

The Plan’s total fees for 2022 were \$12.7 million.¹⁰ Based on assets of approximately \$1.9 billion, this is an expense ratio of roughly 65 bps. According to the current publicly available data of public pension plans the Plan’s investment expense is below the median of 81 bps based on similarly sized plans (19 of 111 plans).¹¹ Fees in the previous year totaled \$15.8M. Therefore in 2022, the plan saw a year over year reduction in fees of approx. \$3.1M.

We found that most of the fee reduction came from the alternative investment asset class. The alternative asset class is comprised of two managers, Millennium and Blackrock. Blackrock collects a flat fee while Millennium collects performance fees. For the year ended December 31, 2021 we find the total allocation for alternative investments was \$97M and direct and indirect fees 9.4M were paid. For the year ended December 31, 2022 alternative investments were \$95M and \$6.8M were paid, nearly \$3M less in fees. We found that within the asset class, management fees netted from returns went down significantly year over year. Millennium performance fees may explain the difference as these fees can vary substantially with return. Quarterly analyses of trades placed by fixed income managers, or “best execution” analysis, would be prudent.

The Plan’s IPS stipulates the AC’s responsibility to monitor fees and expenses and is assisted by the IC. Additionally, the AC and IC are responsible to monitor direct and indirect fees and expenses, including soft dollar activities, profit share/carried interest, and real estate expenses. CCR expects that the Plan’s improvements in monitoring policies will improve long-term funding ratios by recognizing the reasonableness of traditional and alternative IMs.

⁹ These fees are verified by BTA.

¹⁰ This figure does not include City Base West’s fees. The figure includes brokerage/profit sharing data from 2022 annual audit.

¹¹ Public pension plan data from PPD.org

Team of Analysts

Mary Kathryn Campion

MK Campion, Ph.D., AIFA®, CFA®, BCF, is the founder and president of Champion Capital Research. The firm is a research oriented institutional investment management company. The firm's clientele includes public defined benefit and corporate defined contribution plans, as well as foundations and non-profits. Champion Capital Research has the distinction of being the first firm to certify for fiduciary excellence (CEFEX) a 2.5B public defined benefit plan. The firm has conducted fiduciary assessments for public and corporate plans whose combined assets exceed thirty billion (30B) in assets. Additionally, the firm donates nearly five percent of its profits to charities annually.

Dr. Campion has held the position of adjunct faculty for the Center for Fiduciary Studies at the University of Pittsburgh since 2007. She also lectures and teaches at local universities. At Rice University's Glasscock School, Campion taught economics, finance, equity and fixed income theory and strategy, portfolio management, risk management, and investments. At the University of Houston, Campion taught undergraduate micro and macroeconomic classes. For public fund trustees, Dr. Campion authored and continues to instruct the Certified Trustee Training curriculum. She continues to be a member of TEXPERS Education Committee. Campion has been engaged as a legal expert in securities disputes and lawsuits. Campion was a retained speaker for the CFA Society and spoke in countries including England, Ireland, Malaysia, Philippines, Singapore, Japan, Canada, and in major cities in the United States.

Dr. Campion's experience with institutional clientele includes analyses of diversified public assets and private equity and real estate holdings. Analysts at the firm have experience analyzing private equity and real estate cash flows, reporting gross and net of fee performance, and assessing performance relative to benchmarks. Importantly, the firm has developed governance, ethics and policy statements for public pension plans, and has ongoing relationships to monitor those plans as well as update annually the policies and procedures for defined benefit and contribution plans.

Dr. Campion's board and council positions include the Houston Symphony Orchestra's (HSO) Chairperson for the Pension Committee, HSO Leadership and Governance Committee, and Rice University's Initiative for the Study of Economics. She is a member of the National Association for Business Economists, American Economic Association, Association for Investment Management and Research, and of the Houston Society of Financial Analysts. Campion is published in academic and professional journals including Bank Asset/Liability Management, The North America Journal of Economics and Finance, The Texas Pension Observer and The World Economy: The America's.

Dr. Campion has received her B.A, M.A, and Ph.D., from Rice University and University of Houston. She is a certified Chartered Financial Analyst® (CFA®) and Accredited Investment Fiduciary Analyst® (AIFA®).

Team of Analysts

Keith Alden Loveland

Keith Alden Loveland, AIFA®, CIDA®, GFS™, is a nationally recognized attorney, author, consultant, and teacher within the fields of investments, securities, and securities offerings, ethical versus fraudulent practices regarding investments and securities, and fiduciary matters. He has been qualified as an expert regarding the above matters in state and federal courts, and in AAA and NASD/FINRA arbitrations, and served as an arbitrator and qualified neutral mediator. Keith currently serves as a subject matter expert to the North American Securities Administrators' Association [NASAA]; he previously served as a subject matter expert to the New York Stock Exchange [NYSE] Qualification Committee.

Mr. Loveland is a member of the American Bar Association, Business Law Section, Committee on Federal Regulation of Securities, and the Committee on State Regulation of Securities. He has been a member of the Financial Planning Association since 1983, serving a three-year term on their Board of Directors from 2011 to 2013. He was a recipient of the FPA Heart of Financial Planning Award in 2010. Keith has been a teacher for many years. Among other engagements, he was Adjunct Professor, William Mitchell College of Law, from 1978 to 1987, and Adjunct Professor, Hamline University, from 1979 to 1981, where he taught Philosophy of Law and Jurisprudence. He is currently Adjunct Faculty for The Center for Fiduciary Studies, teaching the Accredited Investment Fiduciary course in Prudent Practices for Investment Stewards, Investment Advisors, and IMs.

Keith received his Bachelor of Arts in Philosophy & pre-law from University of Minnesota, Duluth, Juris Doctor from William Mitchell College of Law, and Certificate in Securities Regulation from Harvard University Law School. He is a certified Accredited Investment Fiduciary Analyst (AIFA®), Certified Investments and Derivatives Auditor (CIDA®), Global financial steward (GFS™) and CEFEX Certified Analyst.

Kathleen McBride

Kathleen McBride, AIFA®, has more than 35 years of experience in the investment industry including senior posts as a bond underwriter, trader and later, investment adviser. In 2009, she was a founder of The Committee for the Fiduciary Standard, later serving as its Chair. Nationally recognized for her fiduciary process expertise, she frequently speaks, writes, comments, and testifies on investment fiduciary regulation and investor advocacy issues, and meets frequently with regulators and lawmakers.

Ms. McBride is an Accredited Investment Fiduciary Analyst® (AIFA®) and a CEFEX Analyst with the Centre for Fiduciary Excellence. McBride's investment experience and specialized knowledge qualifies her to audit the investment fiduciary processes of retirement plans, RIA firms, service providers and nonprofits across the United States and internationally. Using an ISO-based

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process, McBride assesses an organization's conformance to the appropriate fiduciary standard and Prudent Practices established by CEFEX and Fi360, which are based on regulatory, legal and common law prudence, and analyzes the organization's investments. Once organizations comply the Global Standard of Fiduciary Excellence, they may be certified by CEFEX in a rigorous, peer-reviewed process. McBride was the first CEFEX Analyst to assess a nonprofit organization in Guam for CEFEX certification.

McBride also consults with organizations that desire to improve their investment fiduciary processes. She is qualified to teach the Fiduciary Essentials® courses developed by Fi360 to help investment stewards understand and meet their fiduciary responsibilities. She holds B.A. from New York University and completed the Investment Strategies and Portfolio Management program at The Wharton School of The University of Pennsylvania.

Ken Mathis

Ken Mathis, AIFA®, PPC™, has over thirty-seven years of experience working with institutional organizations in the capacities of a fiduciary consultant, fiduciary assessments, CEFEX Certification (Centre for Fiduciary Excellence), asset management, and investment consulting. He served as Chairperson of the first CEFEX Foundation Committee.

Mr. Mathis has written numerous whitepapers on fiduciary best practices for institutional organizations. In addition, he has been a speaker at national conferences on fiduciary best practices, fiduciary assessments, and CEFEX Certification. Ken has also contributed to CEFEX's Consultant's Assessment of Fiduciary Excellence for nonprofits and Fi360's fiduciary training program for foundations and endowments.

Ken has completed the Pension and Investment Management Program at Wharton School of Business, University of Pennsylvania. He has earned the Accredited Investment Fiduciary Analyst® (AIFA®) professional designation from fi360 through the Katz School of Business, University of Pittsburgh. He has also received the Professional Plan Consultant™ (PPC™) professional designation from fi360 through the Robert Morris University. Ken is also a CEFEX Analyst, having received formal training in investment fiduciary responsibility and met the criteria established by the Centre for Fiduciary Excellence (CEFEX). He received a B.B.A. from the Fogelman College of Business and Economics at the University of Memphis.

Robert Frusina

Robert Frusina, AIFA®, holds a portfolio management position for Champion Capital Research and is a member of the firm's Investment Committee. Robert leads the implementation and monitoring of institutional investment portfolios. Robert oversees and monitors Champion Capital Research's asset allocation strategies. He is responsible for conducting and maintaining investment manager due diligence utilizing the firm's quality fiduciary management process. This repeatable and consistently

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applied process uses specific qualitative and quantitative criteria by which to measure relative and absolute manager performance.

Robert currently holds the Accredited Investment Fiduciary Analyst® (AIFA®) designation. He completed his Bachelor of Science in Quantitative Finance with a concentration in Banking and Financial Institutions and a minor in Economics at The Stevens Institute of Technology in Hoboken, New Jersey.

W. Scott Simon

W. Scott Simon, J.D., AIFA®, CFP®, areas of expertise include standards of fiduciary conduct, investment management, investor disputes with banks, trust companies and RIAs, intra-family trust disputes, modern portfolio theory, diversification of portfolio risk, reasonableness of portfolio costs, breaches of fiduciary duties, principles of investing, asset allocation, the Investment Advisers Act of 1940 as well as others.

He provides expert witness and consulting services relating to the Uniform Prudent Investor Act and the Restatement (Third) of Trusts. He developed this expertise as a result of having written a well-received book on the Act, "The Prudent Investor Act: A Guide to Understanding," (2002), serving as a principal at a fee-only registered investment advisory firm and authoring a popular and long-running Morningstar column on fiduciary investment issues.

Scott has been a member of the State Bar of California for more than 30 years. He is a Certified Financial Planner® (CFP®) and an Accredited Investment Fiduciary Analyst® (AIFA®), qualified to conduct independent assessments to evaluate the compliance of fiduciaries and investment professionals with the standards of modern prudent fiduciary investing. He is author of another book, "Index Mutual Funds: Profiting from an Investment Revolution," (1998), and numerous published articles. Scott graduated from UCLA with departmental honors in political science and earned his law degree at Southwestern University School of Law.

Ken Parkinson

Ken Parkinson, AIFA®, CFS®, PPC™, BCF, areas of expertise include working with organizations that sponsor retirement plans providing objective fiduciary guidance. His expertise in advising plan sponsors identify and design policies and governance processes. This includes following a fiduciary process for selecting plan service providers, delivering independent plan education, selecting, and monitoring plan investments, streamlining workflows for plans.

Ken graduated from Berry College with a double major in economics and psychology. He continued his education while working with one of the country's largest plan services organizations in the country. He continues his career as a registered investment advisor and fiduciary consultant.

Team of Analysts

Ken is an active Accredited Investment Fiduciary Analyst™ (AIFA®) This AIFA® designation allows Ken to perform independent fiduciary assessments on internal policies, procedures, and workflows to verify an entities conformity to the Global Fiduciary Standard of Excellence.

Ken is an active CEFEX Analyst, having met the criteria established by the Centre for Fiduciary Excellence (CEFEX) to provide comprehensive assessment programs to improve risk management for institutional investors. Ken has been Board Certified Fiduciary (BFC) by peers in the fiduciary consulting space and is a co-author of the fiduciary training program for tax exempt and governmental employers.

CPS Energy Retirement Plan SB 322 Investment Expense Reporting

Direct and Indirect Fees and Commissions

ASSET CLASS	MANAGEMENT FEES PAID FROM TRUST	MANAGEMENT FEES NETTED FROM RETURNS**	TOTAL INVESTMENT MANAGEMENT FEES (Management Fees Netted from Returns + Management Fees Paid From Trust)	BROKERAGE FEES/COMMISSIONS	PROFIT SHARE/CARRIED INTEREST	TOTAL DIRECT AND INDIRECT FEES AND COMMISSIONS (Management Fees + Brokerage Fees/Commissions + Profit Share)
CASH	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Public Equity	\$ 708,963	\$ 1,396,203	\$ 2,105,166	\$ 23,000	\$ -	\$ 2,128,166
Fixed Income	\$ 866,443	\$ 529,545	\$ 1,395,988	\$ -	\$ -	\$ 1,395,988
Real Estate*	\$ 547,539	\$ 850,935	\$ 1,398,474	\$ -	\$ 322,806	\$ 1,721,280
Alternative/Other	\$ -	\$ 3,798,492	\$ 3,798,492	\$ -	\$ 2,997,647	\$ 6,796,139
TOTAL	\$ 2,122,945	\$ 6,575,175	\$ 8,698,120	\$ 23,000	\$ 3,320,453	\$ 12,041,573

Alternative/Other	Benchmark	Investment Managers	Benchmark
List of Alternative/Other Investments**	List of Alternative/Other Benchmarks	List of Investment Manager Names**	List of Investment Manager Benchmarks
AEW Core Property Trust	NCREIF Fund Index - ODCE	Acadian (Global Low Vol)	MSCI ACWI Min Vol
BlackRock Event Driven	Wilshire Liquid Alternative	American Funds	MSCI Emerging Markets
City Base West	NCREIF Fund Index - ODCE	AXA High Yield	ICE BofAML High Yield Master II
Harvest MLP	Alerian MLP	BlackRock (Global Low Vol)	MSCI ACWI Min Vol
JPMCB Strategic Property Fund	NCREIF Fund Index - ODCE	BlackRock (R1G)	Russell 1000 Growth
Millennium	HFRI Fund-of-Funds	Credit Suisse - Bank Loan	CSFB Leveraged Loan
USAA Eagle Real Estate Fund	NCREIF Fund Index - ODCE	Harbor - Crescent High Yield	ICE BofAML High Yield Master II
		JP Morgan Core Fixed Income	Bloomberg US Aggregate
		Munder Core Fixed Income	Bloomberg US Aggregate
		NT S&P 500	S&P 500
		NT Collective (R2000)	Russell 2000 Index
		Oakmark	MSCI EAFE Value
		Oppenheimer	MSCI Emerging Markets
		Payden Emerging Market Debt	JPM EMBI Global Diversified
		PIMCO	Russell 2000 Index
		Rhumbline(R1V)	Russell 1000 Value
		THB	Russell Micro Cap
		William Blair	MSCI EAFE Growth

Total Investment Expenses	
Total Direct and Indirect Fees and Commissions	\$ 12,041,573
Investment Services	
Custodial	225,938
Research	-
Investment Consulting	208,001
Legal	145,328
Other	128,710
Total	707,977
	\$ 12,749,550
Total Investment Expenses (Total Direct and Indirect Fees and Commissions + Investment Services)	

* The 2022 Plan's Audit Report includes \$3.7M in real estate operating expenses that are not included in this expense report.