

MINUTES

Wednesday, September 3, 2014

401(K)/457 ADVISORY COMMITTEE

**East Bay Municipal Utility District
375 Eleventh Street
Oakland, CA 94607**

A regular meeting of the 401(k)/457 Advisory Committee convened on Wednesday, September 3, 2014 at 9:07am in the Small Training Resource Center (TRC) of the Administration Building. The meeting was called to order by Committee Chairperson Delores Turner.

ROLL CALL

The following 401(k)/457 Advisory Committee Members were present: Cynthia Adkisson, Dave Beyer, Gerald Hunter, Sophia Skoda, Delores Turner, David Valenzuela, and Curtis Woodring were present at roll call. Committee Members absent were David Correa, Dean DiGiovanni and Eric Sandler.

The following Staff members were present: Lisa Sorani, Elizabeth Grassetti, and Dhanyale Dunbar.

Others present were: Hyas Group (Greg Settle) and Fidelity Investments (Tony Frankovich and Suzanne Rogers)

PUBLIC COMMENT

Keith Beckwith addressed the Committee and submitted written comments with specific concerns and inquiries regarding Revenue Sharing. Mr. Beckwith's additional written comments included:

- Memorandum requesting postponement of the 2014 Annual Plan Administration budget; NAGDCA conference payment inquiry; and correction to the 6/3/14 minutes.
- Copy of HR Connection from the Launchpad highlighting section stating Human Resources is Secretary to the Committee.
- Resubmission of his 3/5/14 comments to include mention of the 11/20/13 memorandum by Dean DiGiovanni regarding Plan Administration Expenses, Proposed 2014 Budget, and Revenue Sharing Funds Distribution.

CONSENT CALENDAR

1. **Approval of Minutes** – A motion was made by Cynthia Adkisson and seconded by Curtis Woodring to approve accept the June 4, 2014 minutes. Keith Beckwith requested the minutes be amended to include mention of the 11/20/13 memorandum by Dean DiGiovanni regarding Plan Administration Expenses, Proposed 2014 Budget, and Revenue Sharing Funds Distribution. A motion was made by Sophia Skoda and seconded by Curtis Woodring to amend and approve the June 4, 2014 minutes. The motion carried (7-0) by the following vote: AYES (Adkisson, Beyer, Hunter, Sandler, Skoda, Turner, Valenzuela, Woodring), NOES: (none), ABSTAIN (none), ABSENT: (Correa, DiGiovanni, Sandler).

DISCUSSION

2. **Fidelity Service Report** – Suzanne Rogers introduced Tony Frankovich, who will replace her as the new Relationship Manager to EBMUD. The Committee was informed that Fidelity would be issuing a targeted campaign to participants based on age and assets; working with staff on Fee and Investing educational communications; implementing Easy Enrollment tool; implementing new Integration tools on NetBenefits in first quarter of 2015; rolling out Next Generation Call Center in the Fall of 2014; added an additional representative, Patricia Miranda; and representatives would be on-site for the October Open Enrollment Fairs.

Combined assets for the second quarter of 2014 were \$340,640,068 with 2,985 participants. The average participant balance was \$114,117 compared to the \$67,011 of industry peers and \$73,135 for same-size peers. Total Plan assets and number of participants were: 401(a) – \$36,974,847 and 434; 401(k) – \$224,461,364 and 1,664; and 457 – \$79,203,858 and 887. Lifecycle Funds are the highest funds held as a single investment at 671 participants, followed by MIP II Class 1 at 157 participants. The top four investments by number of participants and total assets were Vanguard Institutional Index, BrokerageLink®, Fidelity Managed Income Portfolio II, and Fidelity Blue Chip Growth K. NetBenefits® continued to be the primary method of contact for participants in the second quarter of 2014 with a total contact of 152,833 and 8,418 for contact by phone.

3. **Regulatory Update & Market Overview** – Greg Settle reported that the IRS announced regulations for longevity insurance in DC plans; Mass Mutual was deemed by the court to be a fiduciary to the plan it administers; the Employee Benefit Research Institute researched the utilization of Roth IRA's; there were several tax reform ideas that could change DC plan rules; and that Hyas Group implemented a new "Chart of the Quarter" feature.

Greg Settle provided a Financial Markets and Economic Report to the Committee for the second quarter of 2014 to August 2014. The Federal Reserve Bank reduced bond purchases again by another \$10 billion per month in June. Bond indexes in the fixed income markets rose as rates declined from year-end highs, despite the reduced buying pressure on bonds by the Fed. The S&P 500 Index gained 1.81% in a volatile first quarter and continued that upsurge well into the second quarter. Foreign stocks did well in the first half of 2014. Commodities were relatively flat since a strong first quarter, and oil declined into the nineties after months over \$100. The unemployment rate declined from 6.3% to 6.1%.

4. **Investment Performance Summary** – Greg Settle informed the Committee that changes to the Plans had driven down the average expense ratio from 0.55% in fourth quarter of 2012 to 0.41% in 2014. The Fidelity MIP II Class I underperformed its benchmark over the 5-year period and was below the median peer ranking. PIMCO Total Return Institutional experienced departure of senior personnel and should be kept on watch. American Century Select Institutional underperformed its benchmark over the 5-year period and fell below its median peer ranking. Hyas recommended the Committee consolidate the fund with the Plans' other large cap growth fund, Fidelity Blue Chip Growth K Fund. Hyas will bring more information to the next meeting on PIMCO and American Century Select. A motion was made by Dave Beyer and seconded by Curtis Woodring to put American Century Select on watch. The motion carried (7-0) by the following votes: AYES (Adkisson, Beyer, Hunter, Skoda, Turner, Valenzuela, Woodring), NOES: (none), ABSTAIN (none), ABSENT: (Correa, DiGiovanni, Sandler).

5. **What Happens at NAGDCA** – Elizabeth Grasseti provided information to the Committee about the benefits of attending the annual National Association of Governmental Deferred Compensation Administrators (NAGDCA) conference – information on investments, marketing, administration and laws relating to public sector DC plans; training for staff and Committee Members; valuable relationships built with other local agency administrators; ongoing resources throughout the year with access to surveys of industry peers and updates on important legislation. Elizabeth also submitted to the Committee a copy of NAGDCA’s upcoming annual conference agenda.
6. **Plan Administration Budget** – Lisa Sorani informed the Committee of Plan costs and how the costs are currently paid. She explained that EBMUD incurred no extra fees under the previous bundled contract with Fidelity, but may now incur costs (e.g., communications, fund changes, in-plan conversion, Roth addition, etc.) under the new unbundled agreement. Public commenter, Keith Beckwith, requested the Committee postpone the Budget review and include TPA costs and excess revenue share credit. Delores Turner noted that Retirement Board training costs were significantly higher than the estimated training amount for the DC Committee Members and staff. Both Greg Settle and Tony Frankovich informed the Committee that training and education costs are typically acceptable to be paid from plan assets and follows ERISA standards. A motion was made by Cynthia Adkisson and seconded by Sophia Skoda to accept the draft Plan Administration Budget. The motion carried (7-0) by the following votes: AYES (Adkisson, Beyer, Hunter, Skoda, Turner, Valenzuela, Woodring), NOES: (none), ABSTAIN (none), ABSENT: (Correa, DiGiovanni, Sandler).
7. **Combination of the 401(k)/457 Committee with the 401(a) Committee** – The Committee discussed combining the Committees for the main purpose of adding other 401(a) represented work groups. The Committee combination would require the Local 444 representatives abstain from specific 401(a) votes. This would also require Board approval and changes to the Plan Documents. A motion was made by Delores Turner and seconded by Cynthia Adkisson to combine the Committees. The motion carried (7-0) by the following votes: AYES (Adkisson, Beyer, Hunter, Skoda, Turner, Valenzuela, Woodring), NOES: (none), ABSTAIN (none), ABSENT: (Correa, DiGiovanni, Sandler).
8. **Survey** – Greg Settle recommended the Plans survey participants for their needs, plans, intent regarding income solutions and choice of target date funds. The survey would show fiduciary oversight and yield 30%-40% participation rate. He provided the Committee with a sample survey. Staff will make requested revisions and arrange to have the survey issued District-wide via email, and on paper during the Open Enrollment fairs and safety meetings.

ITEMS CALENDARED FOR FUTURE MEETINGS

- 457 Roth and Roth In-Plan Conversion
- Chart of Number of Participants Invested in Revenue Sharing Funds

ADJOURNMENT

Delores Turner moved the meeting be adjourned. The motion was seconded by Sophia Skoda and carried (7-0) by the following votes: AYES (Adkisson, Beyer, Hunter, Skoda, Turner, Valenzuela, Woodring), NOES: (none), ABSTAIN (none), ABSENT: (Correa, DiGiovanni, Sandler).
The meeting adjourned at 11:05 am.