

MINUTES

Wednesday, June 4, 2014

401(K)/457 ADVISORY COMMITTEE

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

Committee Chairperson, Delores Turner, called to order the regular quarterly meeting of the EBMUD 401(k)/457 Advisory Committee at 9:06 am in the Administration Building Small Training Room.

ROLL CALL

Committee Members Cynthia Adkisson, Dave Beyer, David Correa, Dean DiGiovanni, Eric Sandler, Sophia Skoda, Delores Turner, David Valenzuela, and Curtis Woodring were present at roll call. Committee Member Gerald Hunter was absent.

Staff members included Lisa Sorani and Elizabeth Grassetti. Consultant present was Hyas Group (Greg Settle) and Fidelity Investments (Tony Frankovich, Jeff Mower, and Suzanne Rogers)

PUBLIC COMMENT

Keith Beckwith addressed the Committee and submitted written comments. He stated that he was confused about fees/costs deducted from participant accounts, and requested his public comments be included in the minutes. He also requested the following:

- Further discussion and postponement of the adoption of the Determination of Revenue Share Environment
- Further review and discussion on flat-rate fees versus a revenue share environment
- That the contract with Hyas include language making Hyas a co-fiduciary to Plan participants
- That the Hyas contract with the District not be discussed in presence of vendors
- That the investment performance report be generated twice a year instead of quarterly to save money

Mr. Beckwith submitted the following correspondence with the Committee:

- Letter dated June 4, 2014 from Keith Beckwith regarding proposed edits to the minutes, Hyas Group consultant contract, fiduciary responsibility, and Plan fees and fee structure
- Letter dated June 4, 2014 from Keith Beckwith regarding Hyas Group consultant contract
- Letter dated November 20, 2013 from Keith Beckwith regarding revenue share, budget and expenses, and administration
- Memorandum dated November 20, 2013 from Edward Chang regarding EBMUD's \$105,000 contribution
- Letter dated November 20, 2013 from Elena Owre regarding proposed Revenue Sharing and Expense Payment Policy

- Letter dated March 5, 2014 from Keith Beckwith regarding request for information on costs, fees, and expenses, request for revised drafts of proposed Revenue Sharing and Expense Payment Policy and proposed Annual Plan Administration and Recordkeeping Budget
- Request for multiple documents dating back to the Plans' inception

Delores Turner commented on Mr. Beckwith's statements pointing out that the Hyas Group contract was already approved at a previous meeting, and explained that vendors could not be barred from public meetings under the Brown Act.

CONSENT CALENDAR

1. **Approval of Minutes** – Under item #1 "Consent Calendar", correct the motion to "3-0-3". Under item #4 "Revenue Share", correct .009% to .09% and .6% to .06.

Cynthia Adkisson moved the Committee accept the March 5, 2014 minutes as amended. The motion was seconded by Curtis Woodring and carried (8-0-1-1) by the following votes: AYES (Cynthia Adkisson, Dave Beyer, David Correa, Eric Sandler, Sophia Skoda, Delores Turner, David Valenzuela, and Curtis Woodring); NOES (None); ABSTAIN (Dean DiGiovanni); ABSENT (Gerald Hunter)

DISCUSSION

2. **Introduction of New Committee Members** – Committee Chairperson, Delores Turner, introduced Sophia Skoda (new Treasury Manager and representative of Management) and Dean DiGiovanni (representative for Local 21).
3. **Fidelity Service Report** – Suzanne Rogers informed the Committee that the 1st quarter combined assets were \$328,488,153 with 2,959 participants, substantially higher than industry peers with pension plans and same-size peers with no pension plans. 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. Fidelity rolled out a new Retirement Income Planner and updated Enrollment Guides. Lisa Sorani informed the Committee that the Retirement unit was working on a new Retirement Estimator and Retirement Handbook, of which both would include deferred compensation information
4. **Fiduciary Education** – Greg Settle provided fiduciary training to the Committee to establish a level of understanding regarding fiduciary matters, a written resource to guide the District in the future, and to document the educational process. If EBMUD follows ERISA guidelines, the Department of Labor (DOL) provides a Safe Harbor. The Committee discussed errors and omissions insurance. Delores Turner explained that the District indemnifies the Committee with exception of cases of gross negligence.
5. **Determination of Revenue Share Environment** – EBMUD employee Keith Beckwith requested Fidelity provide the basic fee for administering accounts and the costs of administering accounts of more demanding participants. Suzanne Rogers explained that Fidelity does not track such detailed data. The Committee agreed that Plan expenses needed to be reviewed before determining a new fee structure. The Plans have a 4.5 basis point fee. If the Plans convert to a Zero Revenue Share structure, participants would have to pay administrative fees, and participants with 100% investment in BrokerageLink® would be forced to sell shares for Fidelity to collect administrative fees.

Cynthia Adkisson moved the Committee not adopt a Zero Revenue Share structure. The motion was seconded by Committee Member David Correa and carried (8-0-2) by the following votes: AYES (Cynthia Adkisson, Dave Beyer, David Correa, Eric Sandler, Sophia Skoda, Delores Turner, David Valenzuela, and Curtis Woodring); NOES (None); ABSENT (Dean DiGiovanni-left meeting early and Gerald Hunter).

6. **Market Overview** – Greg Settle provided a Financial Markets and Economic Report to the Committee for the first quarter of 2014 to June 2014. The Bureau of Economic Analysis updated the initial estimate of the first quarter 2014 GDP growth to a negative 1% from the 0.1% initially reported mostly due to the drag on GDP from lower inventory reinvestment. The Federal Reserve Bank reduced bond purchases by another \$10 billion per month in April. Most 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 experienced mixed performance in the first quarter. Most foreign markets have prospered in spite of the situation in Ukraine. Commodities were the top performing asset class for the quarter. The unemployment rate decline from 6.7% to 6.3%.
7. **Investment Performance Summary** – Greg Settle informed the Committee that PIMCO and American Century performance did not meet performance standards of the Investment Policy Statement. PIMCO has potential to improve, but there is concern about the fund's departure of senior personnel and lack of succession plan. It was recommended to keep PIMCO on the watch list. American Century Select maintained consistent mediocre performance. The Committee may want to consider whether to keep this fund in the Large Cap Growth section with Fidelity Blue Chip.

A participant cost and revenue analysis for all three Plans reflected significant decreases in annualized investment costs, participant costs, the number of revenue share funds in the EBMUD core option lineup, and excess revenue share credited to EBMUD from 4th quarter 2013 to 2nd quarter 2014. The analysis also reflected a slight increase of average participant balances.

ITEMS CALENDARED FOR FUTURE MEETINGS

- Review and Adopt Deferred Compensation Plan Administration Budget
- Deferred Compensation Plan Expense Payment Policy

ADJOURNMENT

David Correa moved the meeting be adjourned. The motion was seconded by Curtis Woodring and carried (8-0-1) by the following votes: AYES (Cynthia Adkisson, Dave Beyer, David Correa, Eric Sandler, Sophia Skoda, Delores Turner, David Valenzuela, and Curtis Woodring); NOES (None); ABSENT (Dean DiGiovanni and Gerald Hunter). The meeting adjourned at 11:34 am.