

MEETING MINUTES
EBMUD 401(k)/457(b) & 401(a) ADVISORY COMMITTEES

Thursday – February 8, 2024 – 9:00 a.m.

A regular meeting of the 401(k)/457(b) Advisory Committee and the 401(a) Advisory Committee convened on Thursday, February 8th, 2024, at 9:00 am. The meeting was called to order by Lisa Sorani (as C. Charan), Acting Chairperson.

This meeting was conducted with DC Advisory Committee Members physically present in the Administration Building Training Resource Center, 375 Eleventh Street, Oakland, California. This location served as the physical location for members of the public who wished to attend the meeting in person. Please note, however, that members of the public were also provided the opportunity to participate via video and teleconference. To participate in the meeting or provide public comment, please see the Appendix of the Agenda for instructions on joining the Zoom meeting online or by phone. Some Staff and Presenters also attended via Zoom.

ROLL CALL:

The following 401(k)/457(b) Advisory Committee Members were present: Nick Baranzini, David Beyer, Kevin Fitzsimmons, Ramona Gonzalez, Robert Hannay, Andrew Kwan (Rep A), Sophia Skoda, Matthew Stimson, Stella Tan, and Lisa Sorani (as C. Charan). Committee Member absent: none.

The following 401(a) Advisory Committee Members were present: David Beyer, Kevin Fitzsimmons, Ramona Gonzalez, Robert Hannay, Andrew Kwan (Rep A), Sophia Skoda, Stella Tan, and Lisa Sorani (as C. Charan). Committee Member absent: none.

Staff members present: Valerie Weekly, Mae Shepherd, and Cindy Vong.

Consultants present: Hyas Group (Audrey White), Fidelity Investments (January Johnson, Brenda Knudsen, Ashley Roe, and Maria Ruiz).

PUBLIC COMMENT:

There were no public comments.

CONSENT CALENDAR:

1. **Approval of Minutes** – 401(k)/457(b) and 401(a) Meeting Minutes of December 6, 2023, Lisa Sorani motioned, and Sophia Skoda seconded the motion. The minutes were unanimously approved.

The motion carried for the 401(k)/457(b) Committee (10-0-0-0) by the following: AYES (Nick Baranzini, David Beyer, Kevin Fitzsimmons, Ramona Gonzalez, Robert Hannay, Andrew Kwan (Rep A), Sophia Skoda, Matthew Stimson, Stella Tan, and Lisa Sorani (as C. Charan)). NOES (None). ABSTAIN (None). ABSENT (None).

The motion carried for the 401(a) Committee (8-0-0-0) by the following: AYES (David Beyer, Kevin Fitzsimmons, Ramona Gonzalez, Robert Hannay, Andrew Kwan (Rep A), Sophia Skoda, Stella Tan, and Lisa Sorani (as C. Charan)). NOES (None). ABSTAIN (None). ABSENT (None).

ACTION:

- 2. Recommendation to Remove From Watch Status: MFS Mid-Cap Growth Fund – (Hyas Group)** - The committee discussed the recommendation presented by the Hyas Group to remove the MFS Mid-Cap Growth Fund from watch status. After a thorough discussion, David Beyer motioned to approve the recommendation, which was seconded by Ramona Gonzalez. The motion carried unanimously.

The motion carried for the 401(k)/457(b) Committee (10-0-0-0) by the following: AYES (Nick Baranzini, David Beyer, Kevin Fitzsimmons, Ramona Gonzalez, Robert Hannay, Andrew Kwan (Rep A), Sophia Skoda Matthew Stimson, Stella Tan, and Lisa Sorani (as C. Charan)). NOES (None). ABSTAIN (None). ABSENT (None).

The motion carried for the 401(a) Committee (8-0-0-0) by the following: AYES (David Beyer, Kevin Fitzsimmons, Ramona Gonzalez, Robert Hannay, Andrew Kwan (Rep A), Sophia Skoda, Stella Tan, and Lisa Sorani (as C. Charan)). NOES (None). ABSTAIN (None). ABSENT (None).

INFORMATION:

- 3. Markets and Economic Update and Investment Performance – (Hyas Group)** – Audrey White presented the fourth quarter 2023 performance report which included the following items:
 - Market and Economic Update – The U.S. economy again posted strong growth numbers. For the year, the major US stock indices – Dow, S&P 500, and NASDAQ – were up 16.18%, 26.29%, and 44.48% respectively. International stocks (MSCI-EAFE), while lagging, still returned a respectable 18.85% for the year. And even bond markets rebounded, responding with a 5.53% gain (US Aggregate) after the worst year (2022) in bond market history. Markets continued to react favorably to the prospect of the Federal Reserve engineered soft landing, where inflation continues its decline without impacting economic growth too severely. While markets are projecting several interest rate cuts in 2024, expectations have softened as the Fed leadership continues to express caution and inflation numbers appear to be somewhat stuck above targets. We are approaching equity markets with caution. Interest rates should come down as we move through 2024, but most of the interest rate decline expectations have likely been priced in and recent strong jobs numbers of reports have dampened expectations.
 - Legal and Regulatory Updates
 - Current Fund Lineup Overview –
 - MFS Mid Cap Growth R4 was placed on watch 1Q 2023 due to a recent manager departure. Sufficient time has passed that Hyas Group recommended taking the fund off watch. The Committee agreed with Hyas Group’s recommendation to remove the fund from watch status.
 - Plan Data Review – As of December 31, 2023, total assets were approximately \$668.2 million, which was an increase of approximately \$46.6 million from last quarter.
 - Fee and Revenue Analysis
- 4. Budget Document Updated for 4Q – (Hyas Group)** – Audrey White presented the Fourth Quarter Plan Budget Review for EMBUD’s DC plans. Clarification was provided regarding a question from last quarter about the revenues collected from “Participant Account Fees” for Q2 and Q3 2023. The balances collected had a run-timing issue as the fee amounts were pulled by Fidelity at different points in time (10/16 for the 401(k) and 401(a) plans and 10/24 for the

457(b)). This is consistent with how previous data has been pulled and reported. A question was asked about the \$5,000 miscellaneous expense noted for 2024. Hyas Group included this in the report as our annual budgeted expense amount for miscellaneous items. Hyas Group will confirm whether or not this \$5,000 was used for 2024 and then will update the report accordingly.

A Committee member asked Hyas Group to go back five years, or as far back as we can in the budget report, and show the historical revenues, expenses, and admin account balances along with the amount EBMUD contributed for the year and the amount being charged to participant accounts. Hyas Group will work to prepare this data report to share at the next Committee meeting.

It was also noted that as of quarter-end the administrative account had about 7.4 months' worth of cash reserves, equal to \$31,757 in excess compared to the 6-month reserve target.

Hyas Group noted again that during the 1Q meeting of each year a participant fee evaluation is conducted on the plans. At that time the Committee is able to discuss whether or not they would like to make any changes to participant account fees. Also discussed was a potential fee holiday and/or participant rebates. Hyas Group will prepare a participant fee evaluation and present this at the next meeting.

5. **Fee Benchmarking Report – (Hyas Group)** – Audrey White presented a Fee Benchmarking Report which included the following highlights:
 - EBMUD's plans at \$621,636,231 in total assets have an average weighted investment cost of 0.204% vs. the average of 0.237%.
 - EBMUD's plans have a recordkeeping fee of 0.035% vs. the average of 0.038%.
 - Also discussed were the apples to oranges comparison of plans that utilize a proprietary capital preservation product vs. plans that don't and plans that offer a managed account program to all participants vs. plans that don't. Generally, because these services generate revenue for the recordkeeper, plans that utilize a propriety capital preservation product or a managed account program have lower recordkeeping fees.
 - A Committee member asked about the plan(s) potentially offering more Fidelity funds in the plan line-up(s) and how (if at all) this would impact Fidelity's pricing for recordkeeping. Hyas Group explained the process of the research and analytics team to determine best in class investments for our clients and our focus on the investment policy statement as the foundation for these decisions and recommendations. Hyas Group also commented that in some cases, depending on the asset amount, fund type and other factors, plan sponsors may experience a recordkeeping fee reduction by utilizing propriety fund offerings. Per East Bay MUD staff, we will table looking deeper into this arrangement at this time.

A Committee member also asked if Hyas Group could prepare a list of all the investment changes that have occurred in the East Bay MUD DC plans over the last five years, including performance results and dollar savings if possible. Hyas Group will work to prepare this report of investment changes and will present this at the next Committee meeting.

6. **Self-Directed BrokerageLink Review – (Fidelity Investments)** – Brianna Daisy conducted a comprehensive review of the Self-Directed BrokerageLink feature within the retirement plans,

covering its benefits, risks, and utilization statistics. They provided insights into participant demographics and investment preferences within the BrokerageLink platform. The presentation included data on participant utilization rates, asset allocation strategies, and investment performance within the BrokerageLink accounts. Committee members discussed participant utilization rates and explored opportunities for enhancing awareness and education about this investment option, emphasizing the importance of providing guidance on risk management and investment selection.

7. **Fidelity Investments Quarterly Report – (Fidelity Investments)** – Brenda Knudsen and Maria Ruiz presented its quarterly report, providing updates on legislative changes, including the SECURE 2.0 Act, and addressing recent developments related to Roth and In-Plan Conversions. They discussed the implications of these updates for plan administration and participant retirement readiness. The presentation included a detailed analysis of plan performance metrics, participant demographics, and retirement savings trends. Committee members engaged in a discussion on the potential impact of legislative changes on plan design and participant outcomes, emphasizing the importance of communication and education initiatives to help participants navigate regulatory changes effectively.
8. **Training on 401(k)/401(a) Loans – (Fidelity Investments)** – Maria Ruiz conducted a training session focused on 401(k) and 401(a) loans, covering eligibility criteria, loan limits, repayment terms, and potential implications for retirement savings. They addressed common misconceptions about loans and provided guidance on prudent borrowing practices. The presentation included case studies illustrating the long-term impact of loan borrowing on retirement outcomes. Committee members actively participated in the training and sought clarification on loan-related policies and procedures, emphasizing the need for comprehensive financial education to empower participants to make informed decisions about loan usage.
9. **Financial Wellness Overview – (Fidelity Investments)** – Ashley Roe provided an overview of its financial wellness initiatives aimed at promoting holistic financial health among plan participants. The presentation included information on resources available for budgeting, debt management, savings, and retirement planning. They discussed the importance of integrating financial wellness into overall retirement planning strategies and highlighted the role of employer-sponsored programs in fostering financial literacy and resilience. Committee members expressed support for initiatives focused on improving participant financial well-being and discussed potential avenues for expanding access to financial education resources.
10. **Staff Report** – Lisa Sorani provided updates to the Staff Report. Lisa presented a detailed report on participant account fees and credits for the fourth quarter of 2023, highlighting any significant trends or fluctuations. Committee members reviewed the report and sought clarification on specific fee structures and credit allocations. Lisa announced Staff announced that the meeting originally scheduled for May 23, 2024, had been rescheduled to May 9, 2024, due to scheduling conflicts. Members acknowledged the change and updated their calendars accordingly. Lisa introduced Nancy Li as the newest member of the retirement services unit, providing her with an opportunity to briefly introduce herself to the committee.

ITEMS TO BE CALENDARRED: Review of investment policy statement, annual participant fee evaluation, historic budget report overview, historic investment changes in DC plans over last five years.

Update on participant communication and education initiatives, and discussion on plan design enhancements. Update on training for 401(k)/457(b) loans.

MEETING ADJOURNMENT:

Lisa Sorani moved to adjourn the meeting at 11:50 am and Nicholas Baranzini seconded the motion. The motion carried for the 401(k)/457(b) Committee (10-0-0-0) by the following: AYES (Nick Baranzini, David Beyer, Kevin Fitzsimmons, Ramona Gonzalez, Robert Hannay, Andrew Kwan (Rep A), Sophia Skoda Matthew Stimson, Stella Tan, and Lisa Sorani (as C. Charan). NOES (None). ABSTAIN (None). ABSENT (None).

The motion carried for the 401(a) Committee (8-0-0-0) by the following: AYES (David Beyer, Kevin Fitzsimmons, Ramona Gonzalez, Robert Hannay, Andrew Kwan (Rep A), Sophia Skoda, Stella Tan, and Lisa Sorani (as C. Charan)). NOES (None). ABSTAIN (None). ABSENT (None).