

MEETING MINUTES
EBMUD 401(k)/457(b) & 401(a) ADVISORY COMMITTEES
Thursday – November 14, 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, November 14th, 2024, at 9:20 A.M. The meeting was called to order by Lisa Sorani (as Cindy Charan), Acting Chairperson.

This meeting was conducted with Advisory Committee Members physically present in the Administration Building, 375 Eleventh Street, 2nd Floor Large TRC, 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:

L39 has two representatives that support each other by attending the DC Advisory Committee meetings, Andrew Kwan is Rep A and Arcelio Camacho is Rep B. There is only one committee vote for L39, the Rep in attendance will be noted as attending. We will not mark the 2nd Rep as absent as only one Rep needs to attend each meeting. "L39 Rep" will be marked absent if neither Rep A nor Rep B are in attendance.

The following 401(k)/457(b) Advisory Committee Members were present: Lisa Sorani (as Cindy Charan), Alan Chan, Kevin Fitzsimmons, Matthew Stimson, Robert Hannay, and Sophia Skoda. Committee Members absent: L39 Rep, Nicholas Baranzini and Stella Tan.

The following 401(a) Advisory Committee Members were present: Lisa Sorani (as Cindy Charan), Alan Chan, Kevin Fitzsimmons, Robert Hannay and Sophia Skoda. Committee Members absent: L39 Rep and Stella Tan.

Staff members present: Valerie Weekly and Mae Shepherd.

Consultants present: Hyas Group (Audrey White and Tom Breden), Fidelity Investments (Suzanne Rogers and Jeffrey White)

PUBLIC COMMENT:

There were no public comments.

CONSENT CALENDAR:

- 1. Approval of Minutes – 401(k)/457(b) and 401(a) Meeting Minutes of May 9, 2024**
Sophia Skoda motioned for the 401(k)/457(b) and 401(a) committees to approve the Meeting Minutes from May 9, 2024. Kevin Fitzsimmons seconded.

The motion carried for the 401(k)/457(b) Committee (6-0-0-3) by the following AYES: Lisa Sorani, Alan Chan, Kevin Fitzsimmons, Matthew Stimson, Robert Hannay and Sophia Skoda. NOES (None). ABSTAIN (None). ABSENT (L39 Rep, Nicholas Baranzani and Stella Tan).

The motion carried for the 401(a) Committee (5-0-0-2) by the following AYES: Lisa Sorani, Alan Chan, Kevin Fitzsimmons, Robert Hannay and Sophia Skoda. NOES (None). ABSTAIN (None). ABSENT (L39 Rep and Stella Tan).

2. Approval of Minutes - 401(k)/457(b) and 401(a) Meeting Minutes of August 8, 2024

Sophia Skoda motioned for the 401(k)/457(b) and 401(a) committees to approve the Meeting Minutes from August 8, 2024. Kevin Fitzsimmons seconded.

The motion carried for the 401(k)/457(b) Committee (6-0-0-3) by the following AYES: Lisa Sorani, Alan Chan, Kevin Fitzsimmons, Matthew Stimson, Robert Hannay and Sophia Skoda. NOES (None). ABSTAIN (None). ABSENT (L39 Rep, Nicholas Baranzani and Stella Tan).

The motion carried for the 401(a) Committee (5-0-0-2) by the following AYES: Lisa Sorani, Alan Chan, Kevin Fitzsimmons, Robert Hannay and Sophia Skoda. NOES (None). ABSTAIN (None). ABSENT (L39 Rep and Stella Tan).

ACTION:

3. American Funds Euro Pacific Growth On Watch – (Hyas Group)

Presenters: Audrey White and Tom Breaden

Audrey White introduced the American Funds Euro Pacific Growth Fund and the rationale behind Hyas Group's recommendation to place the fund on watch. The fund was underperforming by the end of the quarter by .06% with a peer group ranking of 61. A peer group ranking of 51-100, combined with the underperformance versus the benchmark, triggers a violation under the Investment Policy Statement (IPS).

The committee expressed concern about switching out the fund due to the potential impact on participants and questioned the sensitivity of the trigger for placing the fund on watch. The committee acknowledged that no significant changes to the fund lineup have been made recently, indicating the current triggers are resulting in a more cautious approach to fund transitions. The committee agreed with Hyas Group's recommendation to place the fund on watch status.

A motion was made by Sophia Skoda to place the American Funds Euro Pacific Growth on watch. Lisa Sorani seconded.

The motion passed unanimously for the 401(k)/457(b) Committee (6-0-0-3) by the following AYES: Lisa Sorani, Alan Chan, Kevin Fitzsimmons, Matthew Stimson, Robert Hannay and Sophia Skoda. NOES (None). ABSTAIN (None). ABSENT (L39 Rep, Nicholas Baranzani and Stella Tan).

The motion passed unanimously for the 401(a) Committee (5-0-0-2) by the following AYES: Lisa Sorani, Alan Chan, Kevin Fitzsimmons, Robert Hannay and Sophia Skoda. NOES (None). ABSTAIN (None). ABSENT (L39 Rep and Stella Tan).

4. MFS Mid Cap Growth Fund On Watch – (Hyas Group)

Presenters: Audrey White and Tom Brearden from Hyas Group

Audrey White introduced the MFS Mid Cap Growth Fund and the rationale behind Hyas Group's recommendation to place the fund on watch. Audrey White noted that the fund had recently been removed from watch due to the departure of a co-portfolio manager, Paul Gordon. However, at the end of the quarter, the fund had underperformed its benchmark by -1.40% and had a peer group ranking of 54. The committee agreed with Hyas Group's recommendation to place the fund on watch status.

A motion was made by Sophia Skoda to place the American Funds Euro Pacific Growth on watch. Robert Hannay seconded.

The motion passed unanimously for the 401(k)/457(b) Committee (6-0-0-3) by the following AYES: Lisa Sorani, Alan Chan, Kevin Fitzsimmons, Matthew Stimson, Robert Hannay and Sophia Skoda. NOES (None). ABSTAIN (None). ABSENT (L39 Rep, Nicholas Baranzani and Stella Tan).

The motion passed unanimously for the 401(a) Committee (5-0-0-2) by the following AYES: Lisa Sorani, Alan Chan, Kevin Fitzsimmons, Robert Hannay and Sophia Skoda. NOES (None). ABSTAIN (None). ABSENT (L39 Rep and Stella Tan).

5. Vanguard Wellesley Income on Watch – (Hyas Group)

Presenters: Audrey White and Tom Brearden from Hyas Group

Audrey White introduced the Vanguard Wellesley Income Fund and the rationale behind Hyas Group's recommendation to place the fund on watch. This fund has faced performance challenges, particularly during the recent market cycle, and underperformed the benchmark by -1.73%, with a peer group ranking of 54. Hyas Group commented that the District may want to reevaluate if this fund should remain an investment option for the Plans, considering that it has a composition that may approximate a shorter-dated target date vintage.

Hyas Group and Fidelity reported that 117 participants contribute to the fund, which accounts for 1.4% of the total portfolio across all plans. The committee agreed with Hyas Group's recommendation to place the fund on watch status.

A motion was made by Lisa Sorani to place the Vanguard Wellesley Income Fund on watch. Alan Chan seconded.

The motion passed unanimously for the 401(k)/457(b) Committee (6-0-0-3) by the following AYES: Lisa Sorani, Alan Chan, Kevin Fitzsimmons, Matthew Stimson, Robert Hannay and Sophia Skoda. NOES (None). ABSTAIN (None). ABSENT (L39 Rep, Nicholas Baranzani and Stella Tan).

The motion passed unanimously for the 401(a) Committee (5-0-0-2) by the following AYES: Lisa Sorani, Alan Chan, Kevin Fitzsimmons, Robert Hannay and Sophia Skoda. NOES (None). ABSTAIN (None). ABSENT (L39 Rep and Stella Tan).

INFORMATION:

6. Markets and Economic Update and Investment Performance – (Hyas Group)

Presenter: Audrey White

Economic and market themes have remained very constant throughout the year. Economic growth remains resilient with consumers, generally, continuing to spend at a robust pace. While the unemployment rate has risen from earlier in the year, the jobs market remains strong. The September monthly report had the U.S. economy adding an above-expected 254,000 jobs and the unemployment rate falling to 4.1%. The steadiness of the above referenced themes led to the Federal Reserve cutting interest rates by 50 basis points at their September meeting. This has added further credence to the idea that the U.S. economy remains on reasonably solid footing and the soft-landing prospect has become real.

Plan Overview: At the end of Q3, the combined market value of the 401(k), 457(b), and 401(a) plans achieved a record high of \$765,662,004, which was an increase of approximately \$33.6 million from last quarter.

Below is a table summarizing the plan overview data across the three deferred compensation plans:

As of September 30, 2024	401(k)	457(b)	401(a)
End Value \$	\$500,881,087	\$180,290,089	\$78,482,489
# of Participants (with an ending balance)	2,543	1,414	604
Average Participant Balance	\$196,965	\$127,504	\$129,938
Admin Account Balance	\$46,514	\$184,653	\$46,438

a. Artisan Small Cap Fund Update

This fund was placed on watch in Q1 2024. Hyas Group reviewed holdings impacting performance, and the committee agreed to keep it on watch status. Currently, 0.88% of

participant assets (\$6.7M of the \$760M total) are allocated to the fund. Hyas Group will provide an update and a manager search report at the next meeting.

b. 457(b) Plan Fiduciary Advisory Updates – (Hyas Group)

The committee reviewed the fees for the three deferred compensation plans at the end of the quarter, including the weighted investment fees, administrative fees paid by the District, and administrative fees paid by participants. A year-over-year comparison of these fees was presented.

7. Fee Benchmarking Report – (Hyas Group)

Presenter: Audrey White

The committee discussed the fee benchmarking report, which compares EBMUD's fees to those of peer agencies with similar size plans. The key takeaways were:

- EBMUD's plans have a higher average account balance than peers, with a lower weighted investment cost and record-keeping fees.
- Factors influencing record-keeping fees, such as managed accounts, proprietary products, and on-site representatives, were considered.
- The committee noted that as more participants shift to target date funds, overall costs may decrease due to lower fees negotiated for those funds.
- There is a challenge of benchmarking in the public sector, especially with varying client sizes and the lack of standardized reporting for public sector plans.

The committee plans to continue reviewing and adjusting fees, with discussions on participant fees and budget for the upcoming quarter.

8. Annual Budget Review and Consideration of Participant Fee Change – (Hyas Group)

Presenter: Audrey White

a. Quarterly Plan Budget Review for 3Q 2024

Audrey White reviewed the Q3 budget, noting the District's \$150,000 annual contribution is used first each year. New to the report are float assets—funds from overnight transactions—totaling \$105,616 in Q3, which can offset plan expenses. Current reserves cover 16 months of expenses, surpassing the 6-month target.

The committee discussed fee structures:

- Rebates return funds to active participants but may not benefit all equally.
- Fee Holidays suspend fees temporarily, simplifying administration but lacking equitable distribution.

For the February 20, 2025, meeting, a fee evaluation report will outline options, including:

- Reducing administrative fees over time (glide path)
- Implementing a fee holiday (temporary suspension)

- Rebates to participants (pro-rata distribution)
- Exploring alternative fee models

b. 2025 Annual Budget Review and Training Budget Discussion

Hyas Group provided an overview of the annual budget for plan year 2025, with an assumed annual plan growth rate of 5%. Staff and Committee Members requested to increase the Training and Education amount from \$10,000 to \$12,000. Hyas Group will provide the updated 2025 Budget Forecast for review and discussion at the February meeting.

The committee discussed the following items:

- RFP Process: Anticipated future costs of \$50,000-\$60,000 will be factored into long-term budget plans, with a footnote added in the February update for expected RFP costs in 2026 or later.
- NAGDCA Conference Participation: Renewed focus on sending staff and committee members to conferences for peer learning and updates, possibly alternating attendance years or mixing attendees for better value. The committee discussed the best approach to budgeting for this expense, recognizing that attendance may fluctuate significantly each year—low attendance could lead to underutilized funds, while higher attendance might exceed the allocated annual training budget. Enhanced participation will provide insights into fee strategies, managed accounts, and advisor practices.
- Miscellaneous Costs: A \$5,000 allocation remains for unforeseen expenses, including fund changes beyond the two free per year and unexpected compliance or operational needs.

9. Fidelity Investments Quarterly Report – (Fidelity Investments)

Presenters: Suzanne Rogers and Jeffrey White

a. 3Q 2024 Plan Stats Review

Suzanne Rogers presented the quarterly report, highlighting key metrics:

- Total Combined Assets – Showing strong and steady growth with a clear upward trend
- Participation Rates – Increasing overall, mostly driven by younger employees, though higher-tenured employees participate less, which lowers the overall rate.
- ROTH Contributions – Substantial contributions in both ROTH 401(k) and 457(b) plans.
- Annual Increase Program – 26% of participants are enrolled. This program helps employees boost savings gradually.
- Auto Enrollment – The Easy Enroll feature has improved participation, with an average initial contribution rate of 12.8%.
- Asset Allocation – 73% of participants use age-appropriate equity allocation or target date funds.
- Loans – 17.3% of active participants have at least one loan outstanding.

10. Managed Accounts Overview – (Fidelity/Hyas Group)

Presenters: Suzanne Rogers and Jeffrey White from Fidelity Investments, Audrey White from Hyas Group

a. Review of Managed Accounts

Jeffrey White discussed Fidelity's Managed Account service, with an emphasis on personalization, participant experience and fees.

Core Features of Managed Accounts Include:

- Personalization – Accounts are tailored based on risk tolerance, finances, time horizon, pensions, and outside assets. Participants are encouraged to update their profiles regularly to ensure relevance and stay on track.
- Engagement – Participants receive ongoing support through quarterly check-ins, annual reviews, and access to live advisors.
- Integrated Experience – The platform is accessible across multiple devices and integrates seamlessly with Fidelity's NetBenefits.

Benefits of Managed Accounts

- Revenue Sharing – Plan-Level Credits offset participant fees, with additional credits refunded.
- Customization – Adjusted portfolios reflect unique circumstances and market changes, with a dashboard available for users to track their progress.
- Comparison with Target-Date Funds – Managed accounts offer tailored solutions for complex financial needs, unlike the one-size-fits-all target-date funds.

11. Auto-Enrollment Review – (Fidelity Investments)

Presenter: Suzanne Rogers from Fidelity Investments

Fidelity Investments outlined the benefits of Auto-Enrollment in Deferred Compensation plans, which typically default employees into age-based target date funds with deferral rates of 3-5%. Employees can opt out but generally remain enrolled.

- Higher Participation: Auto-enrollment boosts participation to 91%, compared to 50% for plans without it.
- Improved Savings: Employees often increase contributions beyond the default, and auto-increase features further enhance savings.

Lisa Sorani urged committee members to share this information with their unions during contract negotiations, emphasizing that auto-enrollment can be customized to meet each union's needs.

12. Staff Report

Presenter: Valerie Weekly

Valerie Weekly provided updates to the Staff Report, going over the 3Q 2024 Participant Account Fees and Credits, 2025 IRS Deferral Limits, Open Enrollment Health Fair and Financial Wellbeing. Valerie Weekly also discussed continued partnerships with District Affinity Groups, and the appointment of new Local 21 Representative, Alan Chan, to the DC Advisory Committee.

- a. 2025 DC Advisory Committee Meeting Dates
 - Thursday, February 20, 2025
 - Thursday, May 8, 2025
 - Thursday, August 21, 2025
 - Thursday, November 6, 2025

ITEMS TO BE CALENDARED:

- 1. Participant Fee Evaluation Report
- 2. Approve 2025 Budget

MEETING ADJOURNMENT:

Lisa Sorani motioned to adjourn the meeting at 12:23 P.M. and Sophia Skoda seconded the motion. The motion passed unanimously for the 401(k)/457(b) Committee (6-0-0-3) by the following AYES: Lisa Sorani, Alan Chan, Kevin Fitzsimmons, Matthew Stimson, Robert Hannay and Sophia Skoda. NOES (None). ABSTAIN (None). ABSENT (L39 Rep, Nicholas Baranzani and Stella Tan).

The motion passed unanimously for the 401(a) Committee (5-0-0-2) by the following AYES: Lisa Sorani, Alan Chan, Kevin Fitzsimmons, Robert Hannay and Sophia Skoda. NOES (None). ABSTAIN (None). ABSENT (L39 Rep and Stella Tan).