

**MEETING MINUTES**  
**EBMUD 401(k)/457(b) & 401(a) ADVISORY COMMITTEES**  
**Thursday – August 8, 2024 – 9:00 a.m.**

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A regular meeting of the 401(k)/457(b) Advisory Committee and the 401(a) Advisory Committee convened on Thursday, August 8th, 2024, at 9:07 am. The meeting was called to order by Lisa Sorani (as C. Charan), Acting Chairperson.

This meeting was conducted with Advisory Committee Members physically present in the Administration Building, 375 Eleventh Street, 2<sup>nd</sup> 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:**

The following 401(k)/457(b) Advisory Committee Members were present: Stella Tan, Matthew Stimson, Kevin Fitzsimmons, Andrew Kwan (Rep A), Robert Hannay, Sophia Skoda (arrived at 9:17am), and Lisa Sorani (as Cindy Charan). Members absent: Nicholas Baranzini.

The following 401(a) Advisory Committee Members were present: Stella Tan, Kevin Fitzsimmons, Andrew Kwan (Rep B), Steven Goodman-Leibof, Robert Hannay, Sophia Skoda (arrived at 9:17am), and Lisa Sorani (as Cindy Charan). Committee Members absent: NONE.

Staff members present: Valerie Weekly, Mae Shepherd, Steven Goodman-Leibof and Nancy Li.

Consultants present: Hyas Group (Audrey White), Fidelity Investments (Suzanne Rogers and Brenda Knudsen).

**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.

The committee reviewed the minutes from the previous meeting on May 9, 2024. Discussion included minor corrections to the text of the minutes, but no substantial changes were requested.

A motion was made to approve the Meeting Minutes from May 9, 2024. Due to a lack of quorum, the approval of the minutes could not be finalized as two committee members abstained from the vote, and Local 21 and Local 2019 still lack representatives. This will be revisited at the next meeting. Lisa Sorani suggested that units with a secondary representative or backup should review the minutes with the other committee member before attending the

committee meeting. This will help ensure quorum and facilitate voting on the approval of the minutes.

### **ACTION:**

#### **2. Adopt Updated Investment Policy Statements – (Hyas Group)**

**Presenters:** Audrey White from Hyas Group

Audrey White presented revisions to the Investment Policy Statements (IPS) for both the 401(k)/457(b) and 401(a) plans. The updates focused on:

- Watch language clarifying performance criteria of target date suites composed of passive investment funds has been added.
- The “Reviewed” and “Revised” dates have been updated to August 2024. Hyas Group will provide updated, clean Investment Policy Statements for the Committees’ signature and records.

The committee members discussed the implications of these changes, particularly the impact on the participants’ investment strategies. After thorough discussion, a motion to adopt the revised IPS was made.

Robert Hannay motioned for the 401(k)/457(b) and 401(a) committees to accept the updated Investment Policy Statements. Kevin Fitzsimmons seconded.

The motion carried at 9:17 AM for the 401(k)/457(b) Committee (6-0-0-2) by the following: AYES Kevin Fitzsimmons, Matthew Stimson, Robert Hannay, Andrew Kwan (Rep A), Stella Tan, and Lisa Sorani. NOES (None). ABSTAIN (None). ABSENT (Sophia Skoda arrived at 9:17 AM, Nicholas Baranzani).

The motion carried at 9:17 AM for the 401(a) Committee (6-0-0-1) by the following: AYES (Stella Tan, Matthew Stimson, Andrew Kwan (Rep A), Kevin Fitzsimmons, Robert Hannay, Lisa Sorani. NOES (None). ABSTAIN (None). ABSENT (Sophia Skoda arrived at 9:17 AM).

### **INFORMATION**

#### **3. Markets and Economic Update and Investment Performance – Hyas Group**

**Presenter:** Audrey White from Hyas Group

The committee was provided with an in-depth analysis of the current economic environment and its effects on the investment portfolios. As with recent prior quarters, the U.S. economy continues to post respectable economic growth numbers, and the much-discussed inflation appears to be softening. With recent price and employment data, the Federal Reserve appears to be poised to begin cutting rates this year. Hyas Group expects them to be wary of coming monthly data and likely will engage these cuts

in a gradual, measured fashion. Markets appear to be reacting to the rate cut prospect and we have seen a slight rotation from the large cap technology sector led gains to more mainline sectors such as energy, real estate, and finance. Additionally, small capitalization stocks also seem to be benefiting from the anticipated lowering of interest rates.

- **Market Conditions:** The global economic outlook remained cautiously optimistic despite ongoing volatility in financial markets. Factors such as inflation, interest rates, and geopolitical tensions were key points of concern.
- **Plan Performance:** The 401(k) and 457(b) plans experienced solid growth, with the total plan value rising to \$731.7 million, a significant increase of approximately \$16.8 million from the previous quarter. The growth was attributed to a combination of strong equity market performance and steady participant contributions.
- **Participant Impact:** The committee noted the positive impact on participant account balances, which reflected the overall market gains.

Committee members asked questions regarding the sustainability of these trends and the potential impact of upcoming economic events, such as Federal Reserve decisions on interest rates.

#### 4. Artisan Small Cap Fund Update – Hyas Group

**Presenter:** Audrey White from Hyas Group

The Artisan Small Cap Fund, which had been placed on watch in the previous quarter due to underperformance relative to its peers.

- **Performance Concerns:** Despite some recent improvement, the fund's performance still lagged behind benchmarks, raising concerns about its continued suitability in the plan's lineup.
- **Next Steps:** The committee decided to keep the fund on watch status and requested an in-depth analysis of alternative small-cap options to be presented at the next meeting. Hyas Group will provide an update on the fund at the next meeting, as well as share specifically some of the Artisan Small Cap Fund holdings that have been detractors or contributors to performance.

#### 5. Quarterly Plan Budget Review for 2Q 2024 – Hyas Group

**Presenter:** Audrey White from Hyas Group

Hyas Group provided the Second Quarter Plan Budget Review for EBMUD's deferred compensation plans. The Committee again discussed that EBMUD staff will prepare and share an updated budget at the 4Q 2024 meeting. Then, at the following quarterly meeting (1Q 2025), Hyas Group will share a Participate Fee Evaluation report. As part of this evaluation, Hyas Group will include different fee reduction options, rebate options,

and/or a fee holiday option. Hyas Group will include in these options how long it will take under these scenarios to get below the 6-month target.

The committee reviewed the plan's budget for the second quarter of 2024. Key highlights included:

- **Revenue Accounts:** The plan's revenue-sharing accounts showed a surplus, leading to discussions on how best to utilize these funds.
- **Fee Reductions:** The committee discussed the possibility of implementing fee reductions or offering a fee holiday to participants in the near future.
- **Future Planning:** The committee requested additional data on potential long-term impacts of fee adjustments on participant outcomes.

6. Fidelity Investments Quarterly Report – Fidelity Investments

**Presenters:** Suzanne Rogers and Brenda Knudsen from Fidelity

Fidelity presented the quarterly report, focusing on key metrics such as participation rates, deferral rates, and overall plan health.

- **Participant Engagement:** The report highlighted a significant increase in participant engagement, attributed to targeted communications and recent educational webinars. All plans combined shows 55% participation rate. Once participants have a balance in the plan, there is a trend of strong participation and healthy contribution balances. Participant engagement is important and measured across all of the Fidelity's plans and in every case, unengaged or deeply unengaged participants have lower savings and balances.

Efforts are underway to boost involvement and enrollment for new hires and Fidelity's Brenda Knudsen has been attempting to engage them after their New Employee Orientation. However, there has been a notable increase in attendance for Fidelity's one-on-one appointments, with slots filling up quickly after communication is sent out—trending positively since the pandemic. EBMUD staff are also aiming for staff to present on Deferred Compensation at the Management Team meetings.

Lisa Sorani mentioned the newly implemented PEPRA Deferred Compensation Incentive and urged Local 444 union representatives to promote internal participation. The topic of auto-enrollment for new hires was also discussed and communicated with Local 444 union representatives. The Committee and Fidelity highlighted the benefits of auto-enrollment in deferred compensation plans, recommending that the Committee and union representatives consider discussing this during contract negotiations.

Valerie Weekly added that with the upcoming contract negotiations, Local 444 has the opportunity to negotiate to participate in the 401(a) plan, which allows participants to contribution pre-tax funds. Stella Tan inquired whether, if auto-

enrollment in the 457(b) account was implemented, could the PEPRA Deferred Compensation Incentive be allocated to the 457(b) account. Lisa Sorani responded that the District's PeopleSoft system could accommodate that change if auto-enrollment was implemented. The Committee requested for Fidelity to compile data and case studies from other similar organizations and present on the impacts of auto-enrollment at the next meeting.

Fidelity is actively promoting overall financial wellness by providing pre-retiree education at the Retirement Nutz and Boltz sessions led by staff and Brenda Knudsen. These sessions cover Social Security strategies, Medicare, and healthcare for upcoming retirees. Additionally, Fidelity is collaborating with staff and District affinity groups, such as WEROCC in March, and Fuerza Latina in September for Hispanic Heritage Month.

Lisa Sorani mentioned that the first in-person health fair for Open Enrollment 2025, is scheduled to take place at the Administration Building on Wednesday, October 23, 2024. All District affinity groups, Fidelity, our health carriers and various local vendors will be present.

- **SECURE 2.0 Act:** The discussion included the implications of the SECURE 2.0 Act on the plans, particularly provisions related to auto-enrollment and catch-up contributions. The mandatory provision for participants aged 50 and over for catch-up contributions require that contributions be made in Roth. This will now take effective on December 31, 2025, instead of the originally planned start date of early 2024.
- **Managed Account Options:** Fidelity introduced the concept of managed accounts as a potential option for participants, offering personalized investment strategies based on individual circumstances. The committee expressed interest in exploring this further.

#### 7. Roth In-Plan Conversion Training – Fidelity Investments

**Presenters:** Suzanne Rogers and Brenda Knudsen from Fidelity

The committee received training on the process and implications of Roth in-plan conversions, a feature that allows participants to convert pre-tax assets into Roth assets within the plan.

- **Tax Implications:** The training covered the tax consequences of such conversions, emphasizing the need for participants to understand the potential upfront tax liability.
- **Participant Communication:** The committee discussed strategies for educating participants about this option, including the development of informational materials and webinars.

#### 8. Staff Report

**Presenter:** Valerie Weekly

a. 2Q 2024 Participant Account Fees and Credits:

The committee was reminded of the participant fee credits related to revenue sharing within the plans. Within a quarter, a credit of \$76,000 was distributed to eligible accounts, providing participants with a reduction in their overall plan expenses.

b. NAGDCA 2024 Conference

The National Association of Government Defined Contribution Administrators (NAGDCA) 2024 conference was discussed, with a focus on committee members' attendance and potential agenda items of interest.

The committee members who plan to attend the conference were encouraged to bring back insights and best practices to share at future meetings.

Nicholas Baranzini mentioned that he is unable to attend this year, while Matthew Stimson expressed interest in attending. Local 21 and Local 2019 still need to appoint committee members, but once representatives are appointed, they are encouraged to attend NAGDCA. Staff will not be able to accompany attendees this year.

c. Open Enrollment Health Fair and Financial Wellbeing

Planning for the upcoming Open Enrollment Health Fair was discussed, with a focus on integrating financial wellbeing into the event. The Health Fair will be held on October 23, 2024.

- **Fidelity's Role:** Fidelity will be actively involved, providing resources and presentations on retirement planning and investment strategies for employees.
- **Participant Engagement:** The committee expressed a desire to increase participant engagement at the health fair by offering incentives and highlighting the benefits of financial education.

d. Partnering with District Affinity Groups

The committee discussed partnering with District Affinity Groups to enhance outreach and participation in the retirement plans. Committee members requested demographic and participation data within Fidelity. At present, demographic data is not being transmitted to Fidelity. Staff is in the process of cleaning up demographic data in the PeopleSoft system. Lisa Sorani mentioned potential collaboration between staff and the Office of Diversity, Equity & Culture (ODEC), and tracking demographic data as it relates to deferred compensation participation. Lisa Sorani discussed potential delays due to new HRIS upgrades. This will be tabled for a future meeting.

The committee requested demographic and participation data. Currently, demographic data is not being fed to Fidelity. Staff is working on PeopleSoft data clean-up of demographic data. In partnership with Office of Diversity and Inclusion (ODEC), staff may be able to provide demographic data as it relates to participation.

- **Diversity and Inclusion:** The goal is to ensure that all employees, particularly those from underrepresented groups, have access to the resources and support needed to make informed decisions about their retirement savings.
- e. Local 21 and Local 2019 Representative Seat Vacancy

**Presenter:** Lisa Sorani

- The vacancies on the committees for representatives from Local 21 and Local 2019 were discussed. Efforts to fill these seats are ongoing, with a focus on ensuring broad representation across all employee groups.
- The committee discussed the importance of filling these vacancies to maintain quorum and ensure that all employee voices are represented in decision-making processes.

**ITEMS TO BE CALENDARED:**

- The discussion on managed account options will be continued at the November meeting, with Fidelity providing more detailed information and examples of the potential impacts on participant outcomes.
- The committee requested that Fidelity prepare a presentation on the impacts of auto-enrollment, using case studies or examples from other similar organizations.
- The committee requested demographic data related to participation in the deferred compensation plans. Currently, this data is not being sent to Fidelity. However, with data clean-up efforts and possible collaboration with ODEC (either through the current PeopleSoft system or the new Human Resources Information System (HRIS) software) staff may be able to provide accurate demographic data to Fidelity for tracking.

**MEETING ADJOURNMENT:**

Sophia Skoda motioned to adjourn the meeting at 11:42 a.m. and Lisa Sorani seconded the motion. The motion passed unanimously.