

MEETING MINUTES
EBMUD 401(k)/457(b) & 401(a) ADVISORY COMMITTEES
Thursday – May 8, 2025 – 9:00 a.m.

A regular meeting of the 401(k)/457(b) Advisory Committee and the 401(a) Advisory Committee convened on Thursday, May 8, 2025, at 9:02 a.m. 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, 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 with the opportunity to participate via video and teleconference. To participate in the meeting or provide public comments, 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: Kevin Fitzsimmons, Robert Hannay, Andrew Kwan (L39 Rep A), Sophia Skoda (arrived at 9:07 a.m.), Matthew Stimson, Stella Tan, Ginger Chen, Alan Chan, Nick Baranzini, and Lisa Sorani (as C. Charan). Committee Member absent: None.

The following 401(a) Advisory Committee Members were present: Kevin Fitzsimmons, Robert Hannay, Andrew Kwan (L39 Rep A), Sophia Skoda (arrived at 9:07 a.m.), Stella Tan, Ginger Chen, Alan Chan, and Lisa Sorani (as C. Charan). Committee Member absent: None.

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

Consultants present: Hyas Group (Audrey White, Tom Breaden), Fidelity Investments (Suzanne Rogers)

PUBLIC COMMENT:

There was no public comment.

CONSENT CALENDAR:

1. Approval of Minutes - 401(k)/457(b) and 401(a) Meeting Minutes of February 20, 2025.

Lisa Sorani motioned for the 401(k)/457(b) and 401(a) committee to approve the minutes and Kevin Fitzsimmons seconded.

The motion carried for the 401(k)/457(b) Committee (8-0-1-1) by the following: AYES (Lisa Sorani, Alan Chan, Kevin Fitzsimmons, Matthew Stimson, Andrew Kwan, Stella Tan, Nicholas Baranzini, Ginger Chen), NOES (None), ABSTAIN (Robert Hannay), ABSENT (Sophia Skoda).

The motion carried for the 401(a) Committee (6-0-1-1) by the following: AYES (Lisa Sorani, Alan Chan, Kevin Fitzsimmons, Andrew Kwan, Stella Tan, Ginger Chen), NOES (None), ABSTAIN (Robert Hannay), ABSENT (Sophia Skoda).

ACTION:

There were no action items.

INFORMATION:

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

Presenters: Audrey White and Hyas Group

Audrey White provided a detailed economic and market update, noting that while there is global uncertainty, particularly due to the Trump administration's fluctuating tariff policies continued to disrupt markets, the U.S. economy remained relatively stable. The unemployment rate rose slightly to 4.2%, but was still relatively low, and inflation eased from 2.8% in March to 2.4%, suggesting manageable inflationary pressures. However, ongoing trade policy unpredictability contributed to high volatility in both equity and bond markets.

Key economic themes from prior quarters remained consistent. Job growth continued at a healthy pace, with 228,000 jobs added in March. Inflation stayed above the Federal Reserve's targets but remained under control. The committee acknowledged that tariff-related uncertainty was the primary driver of market turbulence and would be closely watching economic indicators, inflation, trade negotiations, and federal debt over the coming months to gauge market direction.

In plan management, several fund updates were discussed. The Hood River Small Growth Fund is set to replace the Artisan Small Cap Fund in June. Three funds—American Funds EuroPacific Growth, MFS Mid Cap Growth, and Vanguard Wellesley Income—remain on the watch list due to underperformance.

Audrey White announced that the Hyas Group and Cook Street Consulting, both previously acquired by Morgan Stanley, would merge with a new entity called Fiduciary Consulting

Group starting in the second quarter, with no changes to client services, fees, or existing relationships beyond branding and marketing.

Lisa Sorani had questions about weighted investment and the noticeable change in 2024 and if it was related to changes to Collective Investment Trusts (CIT). This impacts the overall weighted investment fees, and where participants are at the end of the period, are impacted when participants use more fixed income or use lower fee funds. Suzanne Rogers corrected the comment on auto enrollment and clarified that there is no auto enrollment in the District's plans. Lifestyle funds default when the participant has not elected any investments.

3. **Quarterly Plan Budget Review for 1Q 2025 – (Hyas Group)**

Presenters: Audrey White and Tom Breaden from Hyas Group

Audrey White presented the financial overview, with particular attention to updates and enhancements in the revenue and expense reporting process. Total plan assets decreased to \$747.6 million, down \$28.5 million from the previous quarter. The revenue accounts, representing administrative accounts across all plans, totaled \$294,875. A district contribution of \$150,000 was recorded, and participant account fees, calculated at 3.5 basis points on the total plan balance, amounted to \$63,239 for the quarter. Together, these formed total revenues of \$213,239.

On the expense side, Fidelity, the third-party administrator, charged 3.5 basis points, which came to \$67,370. Investment consulting fees from the Hyas Group were reported as \$13,000 per quarter. New in this reporting cycle was the inclusion of a \$4,000 per quarter allocation for training and education, totaling \$12,000 for the year, which was previously discussed and approved. Additionally, a \$10,000 reserve was established for future RFP-related recordkeeping expenses. Miscellaneous expenses were now broken out more clearly, budgeted at \$5,000 per quarter.

Audrey White and Tom Breaden updated on the implementation of the participant fee rebate. At the February DC Advisory Committee meeting, the Committee approved a one-time rebate pro-rata across all participant accounts amounting to \$129,459 and was issued based on individual account balances across all three plans. This was instrumental in bringing down the surplus in the administrative accounts to the targeted level of approximately six months' worth of expenses, aligning with the committee's policy. The reduction was from a previous reserve level of over ten months down to between 5.9 and 6.8 months.

Stella Tan asked if the fee rebate will be reflected on the Fidelity statement based on the type of plan. These transactions were processed in late April 2025. Participants can see this activity via the Fidelity website and will be able to view it on their next statement.

Tom was recognized for his role in managing the budget and fee rebate process effectively. The Committee was satisfied with the current reporting format and the financial adjustments, and they emphasized ongoing transparency and participant communication.

4. Fidelity Investments Quarterly Report – (Fidelity Investments)

Presenter: Suzanne Rogers from Fidelity Investments

Suzanne Rogers presented a comprehensive update on the District’s defined contribution plans, emphasizing positive trends in participation, contributions, asset allocation, and participant engagement. As of the quarter-end, total plan assets reached \$486 million. Participant numbers, including active, retired, and terminated individuals, have steadily increased since 2020, showing strong engagement and plan growth. “Easy enroll” options have boosted participation, especially in age-based lifecycle funds. These default-enrolled participants contribute at an average deferral rate of 3.4%. 40% of participants save at least 10%, and 24% save more than 15%, placing the District in strong standing compared to public-sector peers. The majority use age-based default investments are 19% in “age-aggressive” allocations and 11% in conservative positions. Fidelity monitors and provides guidance for participants with mismatched allocations. Target-date funds are widely adopted, with 58% of participants fully invested in them. Managed accounts are limited to retired/terminated participants, with five enrolled, totaling \$1.2 million in assets. The Median balances increase with participant age, aligning with national trends. 9.4% of participants took out a loan or withdrawal in the past year, which is within industry norms. 6% hold multiple loans, which, while not ideal, are considered acceptable under the current plan design.

Suzanne Rogers discussed engagement and communication. The quarterly call volume averages about 2,000 calls per year, with 384 calls last quarter, mostly triggered by market concerns. 48% of participants use the mobile app, and 86% have email addresses on file, supporting robust digital communication. Enhanced enrollment emails saw 75% open rates, bringing in 65 new enrollees at a 7.8% average contribution. Brenda Knudsen, the on-site financial planner, had 119 appointments with an 84% utilization rate. Demand has grown. Stella Tan noted scheduling difficulties with appointments with Brenda Knudsen. Suzanne Rogers emphasized alternative access to Fidelity planners via phone. Valerie Weekly stated that the phone financial planning will be included in communication and will be marketed to all employees.

Suzanne Rogers transitioned to an update on the Secure Act and its implications for the District’s plans. Several new optional withdrawal provisions are being added by July:

- Domestic Abuse Withdrawal – Allows up to \$10,000 or 50% of balance for victims of domestic abuse without penalty, self-certifiable.
- Qualified Federal Disaster Withdrawal – Available for those in FEMA-declared disaster zones with economic loss; up to \$22,000, penalty-free, and repayable within three years.
- Qualified Birth or Adoption Withdrawal – Up to \$5,000 per child within one year of birth or adoption, optional repayment within three years.
- Emergency Expense Withdrawal – Up to \$1,000 annually for urgent needs, penalty-free with repayment allowed.

The long-term care withdrawals provision has not been implemented due to pending federal guidance.

The Secure Act also introduces mandatory provisions. Beginning next year, participants over 50 who earned more than \$145,000 in the prior year must have catch-up contributions designated as Roth. This required the addition of a Roth option to the District's 457 plan. Payroll and Retirement Services are working to implement this complex change, which requires annual income assessment and integration with payroll systems. An additional catch-up contribution for participants aged 60–63 is also available but has not been adopted yet due to required payroll changes.

Suzanne ended with targeted campaigns. Campaigns are personalized and event-driven, with high engagement for messages tied to financial wellness and events like Women's History Month. The quarterly check-in emails spurred 5.5% of recipients to act. Investment guidance messages influenced 10.6% of recipients.

1. **Staff Report:**

Presenter: Valerie Weekly and Mae Shepherd

Valerie Weekly presented the staff report, starting with a brief update on revenue credit activity. Lisa Sorani reiterated that a few plan funds generate revenue sharing, and those proceeds are returned to participants, as reflected in the current data.

Valerie Weekly discussed onboarding for new Deferred Compensation Advisory Committee members, noting that full training sessions on governance and the Brown Act will be scheduled once major projects conclude and staffing stabilizes. Hyas Group conducted fiduciary training with Ginger Chen.

The District made several Qualified Nonelective Contribution (QNEC), corrections, which involved six long-standing payroll errors. QNECs are an IRS mandated process for correcting defined compensation plan errors. In this scenario, employee deferral elections were made through Fidelity's user portal, but weren't processed properly within PeopleSoft's configuration. The District corrected these errors by notifying affected participants, reinstating deferrals, and covering 40-50% of missed contributions and related earnings. Enhanced reconciliation processes have been implemented to prevent future errors, which include improved enrollment procedures and desk manuals.

A Financial Wellness update was provided, confirming ongoing engagement, with strong participation in Brenda Knudsen's 1-on-1 counseling sessions.

Valerie Weekly reminded committee members about the upcoming NAGDCA conference, confirming that several committee members expressed interest and would receive travel instructions and forms shortly. Since hotel rooms fill quickly, early registration is encouraged.

Mae Shepherd reported on the PEPRA DC Incentive Program. 1,197 of 1,257 eligible employees received the \$1,000 incentive with 761 receiving the benefit as taxable cash, 436 deferred to their 401(k), and only 60 did not participate. This is marked improvement from previous years due to targeted outreach. Staff conducted extensive outreach to boost participation, including individualized communication, email reminders, and working with supervisors and union leaders.

Questions arose about whether employees needed to submit forms annually to receive the incentive and whether dollar or percentage contributions were required. It was clarified that employees must submit a deferral election form each year to allocate the full \$1,000 into a 401(k) plan. If the form is not completed, the employee will receive the amount as taxable cash by default. The contribution threshold is minimal—any contribution within the lookback period would qualify. Although technically a very small contribution would qualify, Fidelity's system typically defaults to a 1% minimum for ease and consistency. The committee also discussed challenges around not offering dollar-based deferral contributions. Fidelity's system supports percentage-based contributions due to compatibility with planning tools and plan features, and allowing mixed deferral types would disable several existing functionalities.

Lisa Sorani added that participant fee rebates from a recent fee reduction have been processed. Communication detailing the amount of the refund will be mailed shortly with changes already visible in participant accounts.

ITEMS TO BE CALENDARED:

The Hood River Fund change will be calendared for the next meeting. Stella Tan raised the possibility of revisiting the pros and cons of loan availability from deferred compensation plans.

MEETING ADJOURNMENT:

Lisa Sorani motioned for the 401(k)/457(b) and 401(a) committees to adjourn the meeting at 10:31 a.m. Andrew Kwan seconded.

The motion carried for the 401(k)/457(b) Committee (10-0-0-0) by the following: AYES (Lisa Sorani, Sophia Skoda, Robert Hannay, Alan Chan, Kevin Fitzsimmons, Andrew Kwan, Nicholas Baranzini, Ginger Chen, Matthew Stimson, and Stella Tan), NOES (None), ABSTAINS (None), ABSENT (None).

The motion carried for the 401(a) Committee (8-0-0-0) by the following: AYES (Lisa Sorani, Sophia Skoda, Robert Hannay, Alan Chan, Kevin Fitzsimmons, Andrew Kwan, Ginger Chen, and Stella Tan), NOES (None), ABSTAINS (None), ABSENT (None).