

**MEETING MINUTES**  
**EBMUD 401(K)/457 ADVISORY COMMITTEE**  
**Wednesday, June 3, 2015**

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A regular meeting of the 401(k)/457 Advisory Committee convened on Wednesday, June 3, 2015 at 9:12am in the Boardroom Annex of the Administration Building. The meeting was called to order by Committee Chairperson Delores Turner.

**ROLL CALL**

The following 401(k)/457 Advisory Committee Members were present: Cynthia Adkisson, Dave Beyer, Dean DiGiovanni, Gerald Hunter, Sophia Skoda, Delores Turner, and David Valenzuela (absent Committee Members were David Correa and Curtis Woodring). The following Staff members were present: Lisa Sorani, Elizabeth Grasseti and Dhanyale Dunbar.

**PUBLIC COMMENT**

None.

**CONSENT CALENDAR**

1. **Approval of Minutes** – A motion was made by Dean DiGiovanni and seconded by Sophia Skoda to approve the March 4, 2015 minutes. The motion carried (7-0) by the following voice votes: AYES (Adkisson, Beyer, DiGiovanni, Hunter, Skoda, Turner, Valenzuela), NOES (none), ABSTAIN (none), ABSENT (Correa and Woodring).

**DISCUSSION**

2. **Portfolio Advisory Service** – Thomas Obara of Fidelity Investments presented information on managed account services. The service is voluntary with a participant fee. Only core investments are used (except the Vanguard Target Date funds). Lisa Sorani informed the Committee that staff had also been contacted by Financial Engines, a company that offers similar service. Greg Settle informed the Committee that only one out of 18 Hyas' clients elected managed account services because they had regular visits from their TPAs and they were adverse to the high cost of the service.
3. **Staff Report** – Lisa Sorani informed the Committee of the following:
  - a. The Roth 457 and Roth In-Plan Conversions were put on hold pending HRIS and Remini Street ability to add to the PeopleSoft limit table. There have been no project fees paid.
  - b. The 1Q2015 and 2Q2015 Hyas invoice was paid from the \$105,500 DC administration budget.
  - c. Receipt of Fidelity's invoice was anticipated in June 2015 pending their audit and approval process.
  - d. September 30<sup>th</sup> revenue share account balances would have to be used if the pro rata allocation option is up for determination in the first quarter of the following year.
4. **Service Report** – Tony Frankovich provided 1Q2015 Plan information. Total Plan assets were \$354,974,097 with a total of 3,069 participants. Average account balance was \$115,664 compared to \$68,589 for industry peers, and \$74,966 for same-size peers. Contributions to the Plans were \$4,773,569. Loan withdrawals were \$2,440,002 compared to \$2,431,759 in 1Q2014. The top four investments by total assets were Vanguard Institutional Index, Fidelity Blue Chip Growth, BrokerageLink®, and MIP II.

5. **Financial Markets and Economic Report** – Greg Settle provided a brief information to the Committee:
- Advance estimate for first quarter GDP growth was .2% with an expected rebound in the second quarter.
  - Low wage growth and inflation have kept short term interest rates from rising, but the first tightening is expected late in the third quarter.
  - Large cap stocks returned 12.7% and mid cap stocks returned 13.7%. Foreign stocks generally fared better than last quarter, but still had not reached 2007 price level. The S&P was 32% above its 2007 level, making foreign equities a more attractive opportunity.
  - Oil prices climbed back above \$60/barrel, but other key commodities remain relatively low.
6. **Regulatory Update & Market Overview** – Greg Settle provided a regulatory update for 1Q2015:
- The SEC issued an action letter to permit non-ERISA retirement plans to issue participant fee disclosures without violating securities laws.
  - Fees and Revenue Sharing have become a plan sponsor fiduciary issue.
  - NAGDCA released its 2015 survey of public sector defined contribution plans.

### **ACTION**

7. **Investment Performance** – Greg Settle of Hyas Group presented the quarterly performance report. Each Plan portfolio performed well against benchmarks and provided good returns to participants. T. Rowe Price Equity Income lagged its benchmark over the 5-year period and performed below median peer ranking. The fund's manager would retire in October. Hyas recommended the fund be placed on "watch". Cynthia Adkisson moved the Committee place T. Rowe Price Equity Income on "watch". The motion was seconded by Gerald Hunter and carried (7-0) by the following voice votes: AYES (Adkisson, Beyer, DiGiovanni, Hunter, Skoda, Turner, Valenzuela), NOES (none), ABSTAIN (none), ABSENT (Correa and Woodring).

Morgan Stanley lagged its benchmark over the 5-year period and performed below median peer ranking. The fund ranked in the 92 percentile and has been on "watch" for the past two quarters. Delores Turner moved the Committee request Hyas perform a manager search for possible replacement of the Morgan Stanley Fund. The motion was seconded by Dean DiGiovanni and carried (7-0) by the following voice votes: AYES (Adkisson, Beyer, DiGiovanni, Hunter, Skoda, Turner, Valenzuela), NOES (none), ABSTAIN (none), ABSENT (Correa and Woodring).

### **ITEMS CALENDARED FOR FUTURE MEETINGS**

- NetBenefits® presentation
- Vanguard presentation
- Development of participant education on fees and investments

### **ADJOURNMENT**

It was noted that Chairperson Delores Turner was retiring and Eric Sandler, Committee Member who represented Management, had separated from the District. A motion was made by Gerald Hunter and seconded by Dave Beyer to adjourn. The motion carried (7-0) by the following voice votes: AYES (Adkisson, Beyer, DiGiovanni, Hunter, Skoda, Turner, Valenzuela), NOES (none), ABSTAIN (none), ABSENT (Correa and Woodring). The meeting adjourned at 11:33am.