

MEETING MINUTES
EBMUD 401(K)/457 ADVISORY COMMITTEE
Wednesday, September 2, 2015

A regular meeting of the 401(k)/457 Advisory Committee convened on Wednesday, September 2, 2015 at 9:07am in the Large Training Room of the Administration Building. The meeting was called to order by Committee Chairperson Laura Brunson.

ROLL CALL

The following 401(k)/457 Advisory Committee Members were present: Dave Beyer, Laura Brunson, David Correa, Dean DiGiovanni, Gerald Hunter, Scott Klein, Richard Lou (for Sophia Skoda), and David Valenzuela (absent Committee Members were Ken Minn and Curtis Woodring). The following Staff members were present: Lisa Sorani, Elizabeth Grassetti and Dhanyale Dunbar.

PUBLIC COMMENT

Vinella Garcia requested deferred compensation information be sent to employees monthly. Keith Beckwith submitted a memorandum that requested more information on the number of participants and the amount they pay toward revenue share.

CONSENT CALENDAR

1. **Approval of Minutes** – A motion was made by Dean DiGiovanni and seconded by David Beyer to approve the June 3, 2015 minutes. The motion carried (5-0) by the following voice votes: AYES (Beyer, Correa, DiGiovanni, Hunter, Valenzuela), NOES (none), ABSTAIN (Brunson, Klein, Lou), ABSENT (Minn and Woodring).

DISCUSSION

2. **Introductions and Farewell** – Lisa Sorani introduced the new Committee Chairperson (Human Resources Manager, Laura Brunson), Management Representative (Interim Director of Finance, Scott Klein). The Committee bid farewell to Cynthia Adkisson (Local 2019 representative) who served 20 years on the Committee.
3. **Service Report** – Tony Frankovich provided 2Q2015 Plan information. Total Plan assets were \$354,276,769 with a total of 3,096 participants. Average account balance was \$114,430 compared to \$68,399 for industry peers, and \$72,990 for same-size peers. Contributions to the Plans were \$8,921,490. Loan withdrawals were \$2,706,854 compared to \$2,433,145 in 2Q2014. The top four investments by total assets were Vanguard Institutional Index, Fidelity Blue Chip Growth, BrokerageLink®, and Vanguard Target Retirement 2020. Scott Klein requested Districtwide presentations on the Fidelity online tools.
4. **Vanguard Target Date Funds Presentation** – Keith Mekenney and Mark Landay of Vanguard Group gave a presentation on Target Date Funds oversight, monitoring, glide path construction, investment strategies, performance and fees, and education and client service support. Vanguard will be able to reduce the funds basis points by half when the EBMUD assets reach \$100 million. Total assets in the target date retirement funds are approximately \$72 million. The Committee was invited to attend a Vanguard Retirement Forum.

5. **Staff Report** – Lisa Sorani informed the Committee of the following:
- The District made a \$39,504.04 to Fidelity for first quarter 2015 recordkeeping fees. The second quarter 2015 invoice was \$43,414.39, which included \$3,762.50 for the Roth project and a (\$798.66) adjustment for performance guarantees. The Plans received \$57,579.79 combined.
 - Fidelity waived the \$6,353 cost of implementing an online beneficiary service. The new service would eliminate the need for paper elections from retirees, QDRO alternate payees, surviving spouses and other beneficiaries.
 - Two staff members would attend the annual NAGDCA Conference at an estimated cost of \$3,863.
6. **NetBenefits® Presentation** – David Schacht, new Fidelity Planning & Guidance Counselor, gave a presentation to the Committee on Fidelity's NetBenefits, which provides participants with 24-hour online access to accounts. It provides information on the Plans and investment performance and fees. The site allows contribution and investment changes, withdrawals, and provides tools to calculate amount needed to save for retirement, pay down debt, monitor Fidelity and non-Fidelity accounts, model differences between Roth and pre-tax deferrals, develop an investment strategy, etc.
7. **Regulatory Update & Market Overview** – Greg Settle provided a regulatory update for 2Q2015:
- The Supreme Court ruled the fiduciaries have an ongoing duty to monitor plan investments.
 - Department of Labor issued clarification on fiduciary duties in selecting annuity providers for DC plans and "safe harbor" qualifications.
 - Future implementation of Money Market Fund reforms will impact DC plans.
 - Department of Labor's proposed new fiduciary regulations may not apply to government plans.
 - Since 2008, Greece's GDP declined every quarter for six years while the USA and Eurozone recovered after four to five quarters of GDP decline.
8. **Financial Markets and Economic Report** – Greg Settle provided brief information to the Committee:
- Real GDP growth for the second quarter of 2015 was revised from 2.3% to 3.7%.
 - Volatile global markets ended August 28, 2015 with the US and most foreign markets, except China, regaining most losses.
 - Unemployment of 5.3% and the median unemployment duration of 9.4 weeks were at 5-year lows.
 - The Ten Year Treasury Note rose back to 2.19% with an expected .25% hike in the fall.
9. **Investment Performance** – Greg Settle of Hyas Group presented the quarterly performance report. The top performing sectors was healthcare, and the poor performing sector was REITs. Huber Small Cap Value rebounded well from last quarter. T. Rowe Price Equity Income and Morgan Stanley Institutional Mid Cap Growth failed the investment criteria.

ACTION

10. **Adopt Updated Investment Policy Statement** – Hyas Group added "Passive Investment Strategies" the IPS and updated the funds. Greg Settle recommended the Committee remove the Appendix A so the funds would not have to be constantly updated in the document. David Correa moved the Committee adopt the IPS and remove the appendix. The motion was seconded by Richard Lou and carried (8-0) by the following voice votes: AYES (Beyer, Brunson, Correa, DiGiovanni, Hunter, Klein, Lou, Valenzuela), NOES (none), ABSTAIN (none), ABSENT (Minn and Woodring).

- 11. Adopt Fund Replacement for the Morgan Stanley Institutional Mid Cap Growth Fund** – Due to consistent failure of the investment criteria, the Committee requested Hyas Group preform a manager search to replace the Morgan Stanley Fund. Greg Settle presented four funds for consideration: Vanguard Mid Cap Growth Index, MFS Mid Cap Growth, Victory Munder Mid Cap Growth, and Hartford Mid Cap Growth. Hyas Group recommended MFS Mid Cap Growth.

Richard Lou moved the Committee add MFS Mid Cap Growth and close and map Morgan Stanley Institutional Mid Cap Growth to the new MFS Mid Cap Growth. The motion was seconded by David Correa and carried (8-0) by the following voice votes: AYES (Beyer, Brunson, Correa, DiGiovanni, Hunter, Klein, Lou, Valenzuela), NOES (none), ABSTAIN (none), ABSENT (Minn and Woodring).

- 12. Determine Fund Source for Plan Administration Expenses** – Lisa Sorani informed the Committee that the District funding of \$105,500 for 2015 was exhausted with a remaining balance of \$418.43 due to Fidelity. The Committee discussed using the Revenue Share Credit Account or \$143K Liability Account to pay ongoing Plan administration fees. David Correa moved that ongoing Plan administration fees be paid from the \$143K Liability Account. The motion was seconded by Dean DiGiovanni and carried (8-0) by the following voice votes: AYES (Beyer, Brunson, Correa, DiGiovanni, Hunter, Klein, Lou, Valenzuela), NOES (none), ABSTAIN (none), ABSENT (Minn and Woodring).

- 13. Authorize 401(k) Roth In-Plan Conversion Project** – Lisa Sorani informed the Committee that technological issues prevented implementation of the Roth 457. The \$6,650 cost to implement 401(k) Roth In-Plan Conversion, minus the \$3,762.50, would leave a remaining balance of \$2,887.50. Dean DiGiovanni moved the Committee authorize the 401(k) Roth In-Plan Conversion project. The motion was seconded by Gerald Hunter and carried (8-0) by the following voice votes: AYES (Beyer, Brunson, Correa, DiGiovanni, Hunter, Klein, Lou, Valenzuela), NOES (none), ABSTAIN (none), ABSENT (Minn and Woodring).

- 14. Authorize Account Suspension Project** – Lisa Sorani informed the Committee of the compliance issues of stopping and restarting 401(k) and 457 deferrals after hardship withdrawals. Fidelity would implement an Account Suspension service for a flat \$4,025 that would keep the Plans in compliance with the IRS. David Correa moved the Committee authorize the Account Suspension project. The motion was seconded by David Valenzuela and carried (8-0) by the following voice votes: AYES (Beyer, Brunson, Correa, DiGiovanni, Hunter, Klein, Lou, Valenzuela), NOES (none), ABSTAIN (none), ABSENT (Minn and Woodring).

ITEMS CALENDARED FOR FUTURE MEETINGS

- Deferred Compensation information to Plan participants and transparency in costs
- Comparative information for possible combination of Dodge & Cox with T. Rowe Price Equity
- Revisit Zero Revenue Share model with per participant fee for funding plan administration

ADJOURNMENT

A motion was made by Dean DiGiovanni and seconded by Scott Klein to adjourn. The motion carried (7-0) by the following voice votes: AYES (Beyer, Brunson, Correa, DiGiovanni, Hunter, Klein, Lou, Valenzuela), NOES (none), ABSTAIN (none), ABSENT (Brunson, Minn, Woodring). The meeting adjourned at 12:09am.