



CENTRAL CONTRA COSTA SANITARY DISTRICT

5019 IMHOFF PLACE, MARTINEZ, CA 94553-4392

Central Contra Costa County Sanitary District
Deferred Compensation Committee

Meeting Date: 5/4/2022

Attendees		
	Name	Title
Committee Members	Kevin Mizuno	Finance Manager, Committee Chair & Plan Administrator
	Amal Lyon	Accountant, Administration
	Bryan McGloin	Management Analyst, Engineering & Tech Services
	Justin Mercer	Instrument Technician, Operations
	James Olympia	Environmental Compliance Inspector, Engineering & Technical Services
	Joshua Whitman	Committee Member, Maintenance Crew Leader, Operations
	Christopher Thomas	Committee Member, Accounting Supervisor, Administration
	Other	Christina Gee
Philip Leiber		Director of Finance & Administration
Teji O'Malley		Human Resources & Organizational Development Manager, Deputy Plan Administrator
Chad Jaschek		Investment & Plan Governance Subcommittees
Velisa Parks		Senior Administrative Assistant, Plan Governance Subcommittee
NFP	Kent Alm	District Counsel
	Mindy Harris	Senior Consultant
	Rob Whited	Investment Analyst
Mission Square	Erika Armstrong	Relationship Manager, MissionSquare
Absent	Kim Hammond	Plan Provider Representative, MissionSquare

Administrative Review

Call to order at 10:00 am.

Prior Meeting Minutes : Approved unanimously; meeting date 2/2/2022

Service Plan : In development

Signed Plan Documents on file with NFP: Yes No 401(a), 457 Plan Documents, Adoption Agreement, Administrative Services Agreement

Signed Investment Policy Statement on file with NFP: Yes No In development

Signed Education Policy Statement on file with NFP: Yes No In development

Plan Performance

Rob Whited discussed the core elements of the NFP Scorecard system. He then discussed the current Vantagepoint Target Date Series. The current series scores an acceptable 7 and has been acceptable the prior 4 quarters. He then discussed the risk based and age based asset allocation funds. Two of the funds are on the Watch List category - Long Term Growth and Traditional Growth.

Other funds scoring a 6 and included on the Watch List are: MSq Equity Income, Contrafund, Aggressive Opportunity. Watch List funds scoring 5: T Rowe Price Growth Stock, MSq Growth & Income.

A total of 7 funds are on the current Watch List under the NFP Scorecard.

Whited discussed the challenge for Large Cap Growth managers in the last 5 years due to concentrated market outperformance by a select few mega cap tech names including Apple, Microsoft and Alphabet representing a larger proportion of the benchmark index. He commented that offering a diversified portfolio in a style specific category is important for long term sustainable results on a risk adjusted return basis and the most recent quarter reflected that benefit.

Whited shared that all passive index options scored well and the pointed out the qualitative elements of the Scorecard system that include an evaluation of an investment firm's people, process, and philosophy.

Kevin Mizuno stated that the committee liked the Scorecard method for fund reviews; this was a deciding factor in selecting the investment advisory firm. He added that Mission Square has done well in the past with fund reviews but the committee desires to simplify the fund lineup.

Participant Education Efforts – 2022

Erika Armstrong reviewed participant education results from Q1 2022, which had good participant engagement and feedback. Looking forward, MissionSquare's Plan Goals and Objectives include a focus on Education, Participation & Savings, Financial Wellness, and Retention. All education and outreach efforts will include new and active employees and retirees. The retiree roadmap includes a three-part webinar. Armstrong also noted that the "HR At Your Service" has been very well received, and that exit interviews have been implemented to help participants understand their account options at separation, as well as to help overall account / asset retention.

Armstrong presented the Plan Review, noting that overall, the market was down and plan assets mirrored market activity. Contributions, however, are up 10% over Q1 2021.

Armstrong discussed MissionSquare's move to a new recordkeeping platform, Omni. The transition date for Central San has not been announced but it is expected to occur in summer 2022. The Omni platform should be more intuitive for both participants and plan sponsors. James Olympia asked if retirees can now (and will be able to after transition) obtain loans on their accounts. Armstrong answered that yes, loans are allowed on 457 assets, although the Plan Document and/or Adoption Agreement may have to be updated. Olympia also asked if wealth management benefits were offered, as this can be a good retention tool. Armstrong answered that MissionSquare offers a CFP to do retirement financial plans, and they are working to enhance family financial services. Rob Whited also mentioned that NFP will be bringing ideas and alternatives to provide a more holistic and comprehensive approach to family financial services.

Loans & Emergency Withdrawal Requests

Mizuno reported that no new loan or emergency withdrawal requests had been received. There are currently five loans with a total outstanding balance of \$448,000. Justin Mercer asked if loan paybacks were handled through payroll or directly between the participant and MissionSquare. Armstrong said repayments are handled by MissionSquare outside of payroll.

401(a) and HRA Plan Amendments

Mizuno reported that he will be presenting 401(a) and HRA plan amendments to the Board on 5/5/22. If the Board approves, the changes will be effective immediately. Mizuno described the changes:

401(a): Unrepresented employees voted unanimously contribute a mandatory employee contribution based on annual compensation (2% <\$200,000, 8%, \$200,000-\$250,000 and 12.5% >\$250,000 of base salary). Subject to Board approval, new hires will be allowed to make a one-time irrevocable decision upon hire, whether to contribute to the 401(a) plan a percent of base pay between 1% and 20%.

HRA: A new plan is being created for management and unrepresented employees only. Unrepresented employees will be required to contribute 7% of base salary and Tier 3 PEPRA management staff will contribute 1.5%. Based on non-discrimination testing requirements that can affect plans for highly compensation individuals, only reimbursements made for premiums will be allowed.

Other changes were going to the board, including language cleanup. Teji O'Malley mentioned that onboarding packets are being updated to reflect these changes.

Investment Subcommittee

Mizuno informed the committee that the Investment Subcommittee had met to review the Scorecard, Target Date Fit Analysis, and a draft Investment Policy Statement. The subcommittee will bring recommendations to the full committee as proposals are finalized.

Subcommittee members are Kevin Mizuno, Phil Lieber, James Olympia, Justin Mercer, and Chad Jaschek.

Plan Governance Subcommittee

Mizuno informed the committee that the Plan Governance Subcommittee had met to review NFP Fiduciary Diagnostic and related materials designed to detect gaps in fiduciary responsibilities. In addition to the fiduciary diagnostics, the group will be reviewing plan design options and Central San's Administrative Procedures and Board Policies.

Subcommittee members are Kevin Mizuno, Teji O'Malley, Velisa Parks, Christina Gee, and Chad Jaschek.

Fiduciary Education

Investment Policy Statement: Whited provided an overview of the IPS and it's importance to a Plan. The IPS defines investment objectives, fund selection criteria, fund measurement standards and corrective actions. The full committee will be responsible for reviewing and approving an IPS after the Investment Subcommittee has reviewed and presents its recommendations to the committee. NFP, as the investment advisor, will use the IPS guidelines to monitor fund performance and costs. NFP's draft IPS is has been well vetted, including attorney reviews, and is used by over 400 other retirement savings plans in the USA.

Efficient Fund Menu: Whited described NFP's Efficient Fund menu, which is based on Behavioral Finance Theory and is built on six principles:

- Drive participant behaviors;
- Select skillful managers;
- Protect plan fiduciaries;
- Minimize employee confusion;
- Maximize plan participation;
- Provide employees with choice and flexibility.

Generally, NFP recommends a "5-4-3-2-1-0 Liftoff" investment design, that would include a minimum of **5** Target Date Funds, **4** Actively Managed US Equities, **3** Passive Index Funds, **2** Active Fixed Income Options, **1** International Equity, and **0** Specialty Funds. Recent court rulings have supported efficient fund menus in concept, as well as prudent expert standards – that if a plan does not have subject matter experts at hand, they are encouraged to hire such experts to advise on various fiduciary duties.

Committee discussion around the Efficient Fund Menu:

Phil Leiber: understands rationale for going this way, but wants proper education so employees don't perceive the changes as takeaways, particularly around specialty funds.

Whited: TDFs will have specialty fund components.

Mizuno: Self Directed Brokerage Accounts (SDBA) are allowed in the Plan and participants would be able to access specialty funds in an SDBA. We need to remind ourselves that we are fiduciaries to the Plan as a whole and must use defensible rationale when making fund change decisions.

Armstrong: MissionSquare offers large plans to employers to begin with, so they have something for everyone. Being able to offer a higher quality plan to employees is something that Central San hired NFP to help with, as the plan has grown large enough to be able to offer a benefit to employees that is most appropriate for Central San.

Olympia: likes minimization as it appears easier for employees to make decisions.

Justin Mercer: Likes simplification but is concerned whether retention will suffer.

Brian McGloin: Supports simplifications sooner rather than later.

Amal Lyon: Likes simplification.

Mizuno: It will be important to develop a good fiduciary training plan and let employees know what they are doing and why. This should be part of a participant outreach and education program leading up to changes.

Committee Membership

There have been no changes to committee membership / positions. Armstrong noted that when Central San is considering membership changes they should be aware that it is not unusual for committees to have a retiree member.

Future Meetings / Upcoming Agenda

The next meeting will be August 3, 2022. In addition to standing items, the agenda will include a review of employee educational / outreach efforts and future plans; and updates on subcommittee progress, including a draft IPS, report on fiduciary diagnostics, and any recommended changes to internal AP's and BP's.

Meeting adjourned at 11:59 am.

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