

DEFERRED COMPENSATION COMMITTEE 2021 CALENDAR YEAR AND Q2 RESULTS MEETING MINUTES

Meeting Date: Wednesday, August 4, 2021
 Meeting Location: Microsoft Teams
 Recorder: Velisa Parks, Sr. Administrative Assistant

Name of Attendee	Title	Name of Attendee	Title
Kevin Mizuno	<i>Finance Manager</i>	Justin Mercer	<i>Instrument Technician</i>
Christopher Thomas	<i>Finance Administrator</i>	James Olympia	<i>Environmental Compliance Inspector II</i>
Teji O'Malley	<i>Human Resources and Organizational Development Manager</i>	Ama Lyon	<i>Accountant</i>
Kim Hammond	<i>MissionSquare Retirement</i>	Erika Armstrong	<i>MissionSquare Retirement</i>
		Chas Mansfield	<i>MissionSquare Retirement</i>

Not in attendance: Brent Harvey, Joshua Whitman

CALL TO ORDER

10:00 a.m.

AGENDA

- **Reviewing and approval of minutes from May 5, 2021 meeting**
 - Member Mercer motioned for approval, seconded by Member Thomas. All Members present then voted unanimously to approve the Minutes with no nays or abstentions.

- **Review and Discuss Participant Education Efforts**
 - Ms. Erica Armstrong and Ms. Kim Hammond with MissionSquare Retirement addressed the committee regarding participant education efforts.
 - Ms. Armstrong's presentation addressed participant needs and plan goals.
 - As of June 17, 2021, the company name officially changed from ICMA-RC to MissionSquare Retirement to reflect the services and a better representation of who they are.
 - Along with the name change, MissionSquare Retirement has launched the Financial Wellness Program that can be accessed through the website. Modules can be customized to user preference to read articles, watch a video, or other educational topics to promote financial wellness. The program can be found in account access once the user is logged in.
 - There were also positive results regarding retirement educational results from Q2 2021. 100% of new hires enrolled in the 457 Plan, with 26 one-on-one consultations with Ms. Hammond. There was a 15% increase in Q2 2021 contributions into the 457 Plan and over \$9,000 in roll-in contributions. Also, there was a 300% increase in CFP consultations and only two participant rollouts.
 - Ms. Hammond discussed her strategy to keep participants engaged, which included:

- Reaching out to employees through Member Lyon with emails and contacting other participants via email of availability. Topical emails are sent out to participants and retirees.
- Starting to reach out to participants through Human Resources with a meeting invitation for webinars. Two webinars have been hosted and approximately 50 people attended each webinar. Would like to host more webinars with participants to discuss plan features that are available.
- Ms. Armstrong and Ms. Hammond requested feedback on hosting webinars.
 - Mr. Mizuno suggested that there could be targeted emails to specific groups that may be interested in certain webinars to find out more information.
 - Ms. O'Malley also agreed that a targeted approach would be helpful. Before the pandemic, Ms. O'Malley had worked with Ms. Armstrong and others and picked between 6-8 in-person classes that would be helpful. Would like to start planning now and having webinars available. Human Resources would set them up as trainings rather than having a "flash" email to participants.
 - Ms. Hammond also agreed that targeted webinars would be a good way to have participants learn more about tools available like enrolling in auto increase in their accounts.
 - Ms. Armstrong asked when Ms. O'Malley would like to start planning for these webinars and how often should they be. Ms. O'Malley would like to start planning for webinars to start next year and have quarterly meetings available for participants. Ms. O'Malley would like to get committee feedback on the types of webinars that would interest participants.
- **Review and Discuss Plan Performance – Quarter ending June 30, 2021**
 - Mr. Mansfield shared Central San's plan performance for Q2 2021. The review included Plan Investment Lineup Review, Economic and Capital Markets Overview, and Vantagepoint View.
 - Plan Investment Lineup Review
 - Plan Allocations as of June 30, 2021 are at \$165.5M. The percentage breakdown of the plan allocation is PLUS 20%, Asset Allocation 14%, Individual strategies 63%, Guaranteed Lifetime Income 4%.
 - The Vantagepoint PLUS Fund has maintained strong diversification with multiple investment managers and insurance providers. Maintaining a strong ranking relative to the Morningstar US CIT Stable Value universe. Morningstar ranks on return.
 - Milestone funds have good returns.
 - The lineup costs are compelling. Most of the investments are at or below category average costs.
 - VT Invesco Diversified Dividend experienced continued underperformance (86th percentile for Q2). VT LSV Small Cap Value performance seems to be improving (45th percentile for Q2).
 - Economic and Capital Markets Review:
 - Key takeaways on capital markets: growth is coming in below expectations. There are spiking inflation numbers.
 - Federal reserve governors are mixed on where the economy is headed. Will need to continue to monitor.
- **Member Educational Workshop: "Committee Governance"**
 - Ms. Armstrong provided an overview on Committee Governance.
 - Having a committee helps you follow a process to plan goals and fulfill fiduciary responsibilities.

- Need to provide a sound structure. Will need to identify a chairperson and secretary. Also make sure to avoid having too many or too few members on the committee. And committee needs to balance turnover. Make sure that members don't stay too long and establish term limits.
 - Select topics to discuss and evaluate topics like retirement plan providers, investments, participant education, fees and expenses, asset growth, and plan design.
 - Meet when there's a decision to be made and making sure to meet regularly.
 - Document meetings to put together annual goals. Documentation is good to see what decisions were made and why. And to earmark items for further discussion.
 - Avoid behavioral pitfalls do avoid "groupthink" by encouraging member diversity, everyone has a chance to speak, and contrarian and independent thinking.
 - Mr. Mizuno mentioned that the Finance Committee would like to see the Deferred Compensation Committee meeting minutes posted to the Central San website so that it accessible to retirees. Ms. Armstrong mentioned that MissionSquare would set up a Central San specific page that could post meeting minutes as well.
- **Review and Discussion of Loans and Emergency Withdrawal Requests**
 - Mr. Mizuno has not received any emergency withdrawal requests during the 2nd quarter. There are 58 loans outstanding at this time totaling just over \$677,000. When they are in default, the protocol is that they are deemed distributions and are taxable.
- **Discussion of Form 700 (conflict of interest) Requirements in Advisory Committee Administrative Procedures**
 - This item was brought up by Member Harvey and he was unable to attend the meeting. Mr. Mizuno decided to move this item to a future meeting agenda.
- **Further Discussion of Plan Administrative Fee Plan and Alternatives**
 - ICMA-RC/MissionSquare would like to have a recommendation from the committee on what action they would like to take on the discussion from the last meeting.
 - To be more transparent and equitable, MissionSquare has proposed "fee equalization", which would debit or rebate participants (depending on the fund) to get the required revenue. This is a way for participants to see the actual cost of their retirement plan. There would not be a contribution to the administrative allowance cost account. Some may end up paying more
 - Mr. Olympia wanted to know how long it would take to implement the change. Ms. Armstrong would like to give the MissionSquare's finance team approximately three weeks to implement, then have the participants see this the following quarter. Mr. Olympia also wanted to know if this will show on the participant's statement. Ms. Armstrong says that it would look a little different. The Vantagepoint members would see a fee, other participants may see a credit. There will be a letter coming out from Central San and MissionSquare would provide a series of Q&A sessions for participants.
 - Mr. Mercer asked if Central San qualifies to lower fees through fund class changes based on the amount of money in the plan. Mr. Mansfield and Ms. Armstrong explained that for the VT funds the lowest cost share class share. That this is based on not the type of plans, but on the overall administrative fee from MissionSquare.
 - Because Ms. Lyon had to leave the meeting, Mr. Mizuno has asked that the committee provide direction to staff at a future meeting on administrative fees.

Motion to authorize the plan administrator to send an email to MissionSquare on holding off on making distribution until a decision is made regarding fiduciary costs. Member Mercer made the motion, Member Thomas second. Motion passes unanimously.

- **Discussion Fiduciary Role Options (in-house vs. consultant) and Direction to Staff**
 - Mr. Mizuno mentioned that Central San does not currently have a consultant for a fiduciary role. Ms. Armstrong provided information to Mr. Mizuno on three options that the committee can discuss to see what would work best for Central San. With any of these options, we can not delegate the fiduciary role. At most, a consultant could act as a co-fiduciary.
 - Status Quo – In-house. The committee is completely responsible for the fiduciary role.
 - 3(21) Consultant – contracted to act as a co-fiduciary.
 - 3(38) Consultant – everything that the 321 consultant has but has authority to take action.
 - Mr. Mizuno has surveyed some other agencies in the area. Out of the four agencies that responded, three of them use consultants. The committee can direct the plan administrator to follow up and get quotes from service providers on both the 3(21) Consultant and the 3(38) Consultant.
 - Mr. Mercer asked about the 3(38) Consultant and how the committee and the consultant work together. Mr. Mansfield stated that the committee would have the responsibility to monitor the 3(38) Consultant. The 3(21) Consultant would act as a fiduciary advisor.
 - Ms. Armstrong asked if the end-goal is primarily fiduciary, or fund lineup related. Mr. Mercer replied that it would be both.

Motion to authorize the plan administrator for RFI.

Member Mercer made the motion, Member Olympia second. Motion passed unanimously.

- **Review and Discussion of Legislative and Plan Updates**
 - Ms. Armstrong has no major updates.
- **Committee membership changes**
 - Mr. Mizuno mentioned that Member Joshua Whitman has not attended in a year. Will reach out to the Director and member to advise of attendance.
- **Parking Lot / New Business**
 - Mr. Olympia had a question from a member if MissionSquare allows in-service distribution. Participant would like to rollover the Roth 401k to Roth IRA. Is it an IRS limitation? Ms. Armstrong advised that this is an IRS limitation. Participants are not able to roll funds out of plan while still working. Participants can do a in-plan Roth conversion. Mr. Olympia also asked if MissionSquare can lower the financial threshold for the outside brokerage. Ms. Armstrong advised that MissionSquare can lower that. The committee would have to discuss it and have a new agreement.
 - Items to be covered at the next or a future meeting:
 - Discussion of Administrative fee plan and alternatives
 - Discussion on fiduciary role selection; possible information from RFI
 - Discussion of reallocation back to participants
 - Plan for educational outreach to participants in 2022
- **Next Meeting: November 3, 2021**

ADJOURN

11:58 a.m.