



Meeting Date: 11/2/2022

5019 IMHOFF PLACE, MARTINEZ, CA 94553-4392  
 Central Contra Costa County Sanitary District  
 Deferred Compensation Committee

Attendees		
	Name	Title
<b>Committee Members</b>	Kevin Mizuno	Finance Manager, Committee Chair & Plan Administrator
	Christopher Thomas	Committee Member, Accounting Supervisor, Administration
	Dana Lawson	Senior Engineer, Engineering & Technical Services
	Justin Mercer	Instrument Technician, Operations
	James Olympia	Environmental Compliance Inspector, Engineering & Technical Services
<b>Other</b>	Philip Leiber	Director of Finance & Administration
	Velisa Parks	Senior Administrative Assistant, Plan Governance Subcommittee
	Todd Smithy	Retiree, Investment Subcommittee
	Chad Jaschek	Investment & Plan Governance Subcommittees
<b>NFP</b>	Mindy Harris	Senior Consultant
	Vince Learned	Investment Analyst
<b>Mission Square</b>	Erika Armstrong	Relationship Manager, MissionSquare
	Hillis Haygood	Relationship Manager, Mission Square
<b>Absent</b>	Kim Hammond	Plan Provider Representative, MissionSquare
	Amal Lyon	Accountant, Administration
	Grace Arellano	Administrative Services Assistant, Operations

**Administrative Review**

Call to order at 10:00 am.
Prior Meeting Minutes <input checked="" type="checkbox"/> : Approved unanimously; meeting date 8/3/2022
Service Plan <input type="checkbox"/> : In development
Signed Plan Documents on file with NFP: <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No 401(a), 457 Plan Documents, Adoption Agreements, Administrative Services Agreement
Signed Investment Policy Statement on file with NFP: <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No Approved by Investment Subcommittee; to be considered by full committee
Signed Education Policy Statement on file with NFP: <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No Approved 8/3/22 as Appendix A to revised AP047

**Investment Subcommittee Report**

Kevin Mizuno reported on the activities of the Investment Subcommittee since the last meeting. The subcommittee approved an Investment Policy Statement and will recommend approval of the IPS by the DCAC at a future meeting. They are:

- Working with NFP to develop an Efficient Fund Menu;
- Recommending that the DCAC approve the age-appropriate Target Date Fund as the Qualified Default Investment Alternative;
- Recommending that Central San keep the Stable Value fund; and
- Requesting the NFP develop a table for participants to use to easily identify their age-appropriate TDF.

Mizuno reported that with the new fund lineup being considered, NFP identified participant savings of \$254,000 annually for the 401(a) plan, and \$354,000 annually for the 457 plan.

NFP and Mission Square presented two options for mapping. First option: Announce forthcoming changes, and add all new funds to the plan approximately 30 days prior to transition. Allow participants to review the new options and make any changes. Following this period any remaining mapping of old to new funds would occur. Second option: Announce forthcoming changes and map assets from old funds to new funds. The DCAC opted for the second option, noting that it seemed simpler, less confusing and more time efficient overall.

## Plan Performance Q3 and Core Fund Lineup Development

### Investment Analysis Summary

- NFP (Vince Learned) provided an economic and market commentary for Q3 2022.
- NFP reviewed the investment scoring methodology and criteria for monitoring, watchlisting and removing investments from the fund menu.
- NFP reviewed plan asset balances across all investment options
- NFP reviewed the Plan's investment scorecard (for the NEW investment menu) covering available funds as well as their current scores and performance metrics, scoring history, asset class coverage, as well as other key metrics.
  - All funds were reviewed from a quantitative and qualitative perspective. 10 funds are acceptable:
    - Lord Abbett Core Fixed Income R6, LCRVX (10)
    - BlackRock Equity Index Fund CL 1, 97183J632 (10)
    - Large Cap Value I1 (Putnam LCV), 97183K381 (10)
    - BlackRock U.S. Debt Index Fund M, DEBTM.brcf (10)
    - Small Cap Growth II I1 (AB Small Cap Growth), 97182E220 (10)
    - BlackRock MSCI ACWI ex-US NonLend CL I, 97183H842 (10)
    - BlackRock Russell 2000 Index Fnd CL R, 97182P340 (10)
    - International Equity I1 (Fidelity Intl Cap Apprec), 97183C348 (10)
    - Large Cap Growth III I1 (AB Large Cap Growth), 97184D766 (8)
    - Small Cap Value III I1 (PIMCO RAE), 97184J383 (10)
  - 0 funds are on watchlist

### Market Summary

U.S. equity markets had a volatile third quarter, rising sharply in July, before giving back all those gains and then some, to end the quarter down 4.5% (Russell 3000). International equities fell as well, dropping 9.9% during the third quarter (MSCI ACWI ex U.S.). The broad U.S. fixed income market continued its sell-off, down 4.8% for the quarter (Bloomberg Barclays Aggregate) on rising interest rates. Driving most of this volatility was central banks across the world raising interest rates to fight inflation. The Federal Reserve raised interest rates 150 basis points during the third quarter with further hikes expected. Allowing the Fed to raise interest rates was the tight U.S. labor market, with unemployment at 3.5% in September. Unlike the first half of the year, growth stocks, both domestically and internationally, held up slightly better during the third quarter. (All data from MPI) ACR# 4986502 10/22

### Scorecard Methodology

A review of the Scorecard Methodology was discussed. The scoring system includes pass/fail criteria on a scale of 0 to 10 (10 being best). Eighty percent of the fund's score is quantitative, incorporating Modern Portfolio Theory statistics and peer group rankings. The other 20 percent of the score is qualitative. Primary considerations are given to manager tenure,

fund expenses and strength of statistics, however, other significant factors may be considered in the qualitative review. Active and asset allocation strategies are evaluated over a five year time period and passive strategies are evaluated over a three year time period. The Scorecard Point System is as follows: Good: 9-10 points | Acceptable: 7-8 points | Watch List: 5-6 points | Poor: 0-4 points. The Scorecard Methodology supports upholding the impartial conduct standards as the scores and analytics do not include any adviser compensation components and are calculated incorporating all investment fees and revenue sharing. In addition, any and all compensation earned by the adviser (if any) is explicitly disclosed and reasonable given services provided. All information material to any investment recommendations has been disclosed and no misleading information has been provided to fiduciaries in their determination of action.

NFP provided the following information:

- Q3 Market Review (summary above)
- Overview of Scorecard Methodology (summary above)
- New Menu Scorecard - NFP highlighted that all new funds continue to score well. These funds represent the "efficient menu" previously identified and approved by the Committee.
- NFP provided a fund mapping showing current funds and where they will map once the new efficient menu is implemented
  - Cash equivalent funds, real estate funds, and self-directed brokerage to remain as-is
  - Mid Cap, Emerging Markets/Global Equity, and Inflation-protected/high yield/short-term bonds will no longer be asset classes represented in the efficient menu and, as a result, the Committee determined it prudent that these assets will be defaulted to the Qualified Default Investment Alternative (QDIA), which will be further discussed and identified in investment subcommittee meetings in the near future.
- The QDIA serves an important role, both from a fiduciary protection standpoint, and typically as the repository for assets when an asset class is eliminated and for when a participant fails to make an affirmative investment election. Due to these factors, it is particularly important to have a prudent process in its selection.
- The QDIA will be a Target Date Fund series. The efficient menu design previously approved by the Committee features Target Date Funds and intentionally excludes risk-based funds. The dynamic nature of Target Date funds (i.e. automatically de-risking as a participant approaches retirement age) makes them an attractive option in retirement plans.
- The current funds were briefly reviewed. Several have current scoring issues, which will be eliminated when the funds are mapped to the new lineup in early 2023.
- Reviewed MissionSquare's capabilities and support with participant education around the implementation of the efficient fund menu and the accompanying fund changes
  - MissionSquare (MS) will create fund change notices
  - MS will provide participant education concurrent with and/or following fund changes
  - MS outlined options with regard to the timing of the changes and how/when participants could make their own modifications. The Committee determined it prudent that all assets would map over on the identified effective date and per the mapping schedule. At that point, participant will have the opportunity to access their accounts and make changes, if and how they deem appropriate.
- NFP to work with Central San on the creation of a custom communications piece to include:
  - Table of scores/expenses and highlighting improvement from the incumbent menu
  - Highlighting the QDIA and associated age bands for the Target Date Funds
  - Highlighting elimination of certain asset classes (e.g. Mid Cap)

## Disclosures

This material contains an assessment of the market and economic environment at a specific point in time and is not intended to be a forecast of future events, or a guarantee of future results. Forward-looking statements are subject to certain risks and uncertainties. Actual results, performance, or achievements may differ materially from those expressed or implied. Information is based on data gathered from what we believe are reliable sources.

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The DCAC asked for an announcement from management prior to the fund change notification from MissionSquare. Mizuno, Vince Learned, and Mindy Harris will draft the announcement.

### Participant Education Efforts

Hillis Haygood from MissionSquare went through a plan review for Q3 2022 and began with their agenda. They listed the following items before checking in to see if there were any other topics that needed to be discussed before moving forward:

- Q3 Education Review
- Upcoming Education
- Technology Transition Review
- And Quick Updates which were to include the updated contribution limits for 2023 and Secure Act 2.0.

The theme for Q3 education changed from what it was supposed to be from the previous quarter due to the date of the technology update being pushed to an October 10<sup>th</sup> launch. MissionSquare's Q3 education theme was "Preparing for Change". The reason for the titling was dictated by persistent volatility and changes in the market, but also because of the technology update preparation. The main messages that made up this theme were:

- Investing basics and diversification
- Notify of upcoming new tools to track and monitor progress
- Staying the course and continuing to save when market drops occur
- And Retirement income & tax efficiency.

MissionSquare explained how these all tied into an overarching intention of educating employees to make smart and confident investment decisions and how it was supported. They went through market volatility education which was also mentioned in the previous quarters' review and provided some metrics around the utilization of that Market Volatility Center. The Education and Events Calendar for Q3 was also covered before getting into the Plan Education and Outreach metrics.

MissionSquare went through upcoming education as well and how industry focuses will play a part in the development of the upcoming calendar. The Q4 theme is now "Enhancing Your Journey" and the messaging, resources, and the education calendar for Q4 was covered. In preparation for 2023, there will be an education planning meeting between MissionSquare's Relationship Manager, Retirement Plans Specialist, and the district's management analyst who coordinates the education events. In addition, MissionSquare plans on utilizing an additional survey to receive feedback specifically around education to develop relevant and effective campaigns.

The Technology update was covered. MissionSquare went through the timeline of the transition, initial improvements that have already been completed since the launch, and what are the upcoming improvements. The Employer Resource Center is being updated on a regular basis and sponsors were reminded to revisit weekly to see what's new. There was a recommendation provided to have training scheduled for plan sponsors who are involved in finance/payroll and HR. The participant training is scheduled for November 15<sup>th</sup>.

Lastly, the quick updates were completed. MissionSquare went through the 2023 contribution limits and the proposed legislations in Secure 2.0.

### Loans & Emergency Withdrawal Requests

Mizuno reported that no new loan or emergency withdrawal requests had been received. He reminded the committee that the proposed BP047, if/when approved by the Board of Directors, allows for the DCAC to delegate review and approval of Loan and Emergency Withdrawal Applications to the record keeper.

### Current Committee Membership

Mizuno reported that Grace Arellano from Operations had been appointed to complete the term of former DCAC member Joshua Whitman. Arellano was unable to attend this meeting but is looking forward to the Q1 2023 meeting.

### Parking Lot / New Business

Mizuno reported that he projects there to be approximately \$180,000 in excess fees collected by Central San that should be returned to participants. He will bring final figures to the Q1 2023 meeting with a recommendation for the DCAC to consider.

Harris reported that NFP had conducted a Request For Disclosure (RFD) earlier this year. Through the RFD, MissionSquare provided extensive information about the current plans and contracts. NFP has analyzed the information and Harris recommended presenting the appropriate information to the respective subcommittees. The intended outcome is for the subcommittees and DCAC to develop priorities for plan improvement. Learned and Harris will work with Mizuno to schedule the meetings.

#### Future Meetings / Upcoming Agenda Follow Up Items

The next meeting will be February 1, 2023. In addition to standing items, the agenda will include:

- A recommendation for reallocation of excess fees to participants (Mizuno);
- IPS scheduled for DCAC review & approval;
- A draft notice from management to employees and participants about upcoming fund changes (Harris, Learned, Mizuno);
- A recommended educational plan for 2023 (Haygood, Hammond, Central San education coordinator);
- A QDIA table for participants to use to easily identify their QDIA TDF (Learned); and
- A report from Investment and Plan Governance Subcommittees regarding RFD analysis and priorities for plan improvement (Learned, Harris, subcommittees).

Meeting adjourned at 11:59 am.

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