



Meeting Date: 2/6/2023

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

Attendees		
	Name	Title
Committee Members	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
	Amal Lyon	Accountant, Administration
	Geoff Niswander	Local 1, Engineering and Tech Support
	Grace Arellano	Administrative Services Assistant, Operations
Other	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
	Teji O'Malley	Human Resources
	Christina Gee	Human Resources
NFP	Mindy Harris	Senior Consultant
	Vince Learned	Investment Analyst
Mission Square	Erika Armstrong	Relationship Manager, MissionSquare
	Hillis Haygood	Relationship Manager, Mission Square
Absent	Kim Hammond	Plan Provider Representative, MissionSquare

Administrative Review

Call to order at 10:00 am.
Prior Meeting Minutes <input checked="" type="checkbox"/> : Approved unanimously; meeting date 11/2/2022
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.

Investment Analysis Summary:

NFP provided an economic and market commentary for Q4 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 new investment menu, as previously approved by the Committee.

NFP reviewed the Plan's investment scorecard (new funds) 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.

11 funds are acceptable:

Schwab Target Index Series Institutional (8)

Lord Abbett Core Fixed Income R6, LCRVX (10)

BlackRock Equity Index Fund CL 1, 97183J632 (10)

BlackRock U.S. Debt Index Fd CL 1, 97183J624 (10)

Large Cap Value Fund CL I1, 97183K381

BlackRock MSCI ACWI ex-US NonLend CL I, 97183H842 (10)

BlackRock Russell 2000 Index Fnd CL R, 97182P340 (10)

Small Cap Growth Fund II Fee Class I1, 97182E220

International Equity Fund Fee Class I1, 97183C348

Large Cap Growth Fund III CL I1, 97184D766

Small Cap Value III I1 (PIMCO RAE SCV), 97184J383

0 funds are on watchlist

Market Summary:

U.S. equity markets rallied in the fourth quarter, rising 7.2% (Russell 3000) on moderating inflation. The Consumer Price Index (CPI) peaked in June and has seen steady improvement since. International equities rose to a greater extent, posting a 14.3% gain over the quarter (MSCI ACWI ex U.S.). The broad U.S. fixed income market showed some improvement, up 1.9% (Bloomberg Barclays Aggregate). Despite cooling economic growth, the U.S. labor market remained tight during the quarter with unemployment at 3.5% in December. Large cap value stocks had a strong quarter, with the Russell 1000 Value up 12.4% and outperformed the Russell 1000 Growth by over 10 percentage points. The Federal Reserve raised interest rates 125 basis points during the fourth quarter. Additionally, the Fed expects further rate hikes in 2023 to combat inflation. ACR# 5407488 01/23

Investment Analysis:

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.

Fund Review:

A new target date Schwab Target Date Fund (TDF) series was previously identified by the investment subcommittee and presented for the broader Committee's approval. The Committee voted to approve inclusion of the Schwab TDF series.

The Committee reviewed the final mapping strategy, including final review/approval of all new funds, and how incumbent fund assets will be mapped/defaulted to new fund offerings. Hillis Haygood noted that the changes are expected to take place on April 21, with fund change letters being distributed on March 15. Justin Mercer moved, Amal Lyon seconded to approve the new fund lineup. Motion passed with 5 yes votes and 2 abstentions.

Plan Governance Sub-committee report

Mizuno reviewed the subcommittee's work since the last meeting. Mindy Harris recommended that the DCAC approve NFP's performance standards to be included with the upcoming contract renegotiation, with modifications to reflect certain service levels the participant population demands, specifically:

- Request MissionSquare (MS) to propose and provide DCAC fiduciary and administrative education at the Q4 meeting each year, for the following calendar year.
- Request MS to propose and provide employee and participant education at the Q4 meeting each year, for the following calendar year.
- Request MS to provide group education monthly, on mutually agreed upon topics at the Q4 meeting.
- Request MS to provide a minimum of eight hours per month for participant individual meetings. Once per quarter, the Retirement Plan Specialist should be on site for the meetings.
- Request MS to review and determine validity of unforeseen emergency withdrawal applications and Domestic Relations Orders.
- Request MS to agree to NFP's recommended Performance Standards and Guarantees. If unable to agree to an item, MS to propose an alternative.

Harris will work with Hillis Haygood to develop final language for the Administrative Services Agreement and Performance Standards and will send to Mizuno for review.

Approval of 2023 Administrative Budget

Mizuno reminded the DCAC that the District has a policy of retaining 100% of the annual administrative budget in reserves, and returning any excess fees to participants. Mizuno reviewed an income statement for the plan (combined 457 & 401(a)), documenting an excess of \$169,353.60. He also noted that he allocated \$10,000 for DCAC training and suggested members consider attending the NAGDCA conference in Seattle in October. Haygood informed the group that the returned fees would be deposited to participant accounts on a pro rata basis, according to each participant's future deposit elections. Mercer moved, Chris Thomas seconded, to approve the budget and refund of excess fees. Motion passed unanimously. Mercer requested the next meeting agenda include a discussion of NAGDCA conference attendance.

Annual Board Report for Calendar Year 2022

Mizuno covered the draft annual report, to be presented to the Board 2/21/23. He reminded everyone that the report is required by the Board to ensure the District continues to strive to meet fiduciary duties. The annual report provides Plan background, a Plan summary, the DCAC scope of work and committee activities, Plan performance highlights, participant education and outreach, and an overview of the core fund lineup. Mizuno stated that the Plan does not use the hold harmless agreement (Big Kid letter) for participants choosing the Self Directed Brokerage Account (SDBA), but may want to in the future to emphasize to participants that the District has no fiduciary responsibility for investments in a participant-directed SDBA. Mercer moved, Thomas seconded to approve the annual report. Motion passed unanimously.

Q4 2022 Participant Education; MissionSquare New Website

MissionSquare (Haygood) discussed key plan data including:

- Balance summary, # of participant accounts, and average participant balances
- Covered the asset allocation of the plan and how there is a high percentage of assets in the PLUS fund which presents an opportunity for participants to re-allocate.
- Discussed measuring participant behavior and covered contribution allocation trends.
- The plan is cash flow positive for the third year in a row and there was a net inflow of \$1,405,197.

MissionSquare covered 2023 initial education programs and 1st quarter focus is on financial wellness.

MissionSquare reviewed Secure Act 2.0 topics at a high level. It was agreed to go over in more detail later to more thoroughly discuss plan impacts and potential implementation.

MissionSquare covered the following technology transition updates:

- Why the transition occurred.
- Upcoming improvements to the call center and payroll system updates.
- Path forward – Call center staffing increases, account access upgrades, plan health dashboard, and financial wellness center update.

Education & Outreach Plan for 2023

Teji O'Malley and Christina Gee discussed the 2023 education plan. They mentioned the MS Financial Wellness series was popular with employees and proposed continuing with the topics in the series. O'Malley requested that education about the impacts of the changes from passage of the Secure 2.0 Act be delayed until full information is known later in 2023. The DCAC general consensus was to delegate the development of participant education and outreach plan to O'Malley and Gee, and agendize the coming year's plan at the Q4 meeting each year. DCAC members agreed.

Administrative Services Agreement with Mission Square

Haygood reviewed MissionSquare's proposal to the District for a renewed Administrative Services Agreement. He informed the DCAC that MS is offering:

- A five year contract, with automatic renewals for one year on an ongoing basis;
- Plan support services, including Haygood's support to the Plan and the DCAC; Kim Hammond's availability for four in-person / on-site days for participant meetings, monthly webinars on mutually agreeable topics and with information specific to the District's Plan; access to Certified Financial Planners for individual consultation; and fiduciary training.
- Pricing: MS is requesting a fee of 3 basis points for full recordkeeping services, including the elements already described; additionally, a fee of 4.19 basis points would be collected for the Administrative Allowance account, for a total participant fee of 7.19 basis points. He stated that as the plan grows, these numbers may be reduced.
- Retiree Health Savings Plan would continue to be supported as it is currently, and the fees would be 55 basis points plus a \$25 annual fee.

Loans & Emergency Withdrawal Requests

Mizuno reported that no new loan or emergency withdrawal requests had been received.

Current Committee Membership

Mizuno reported that no committee members have indicated they want to discontinue their membership.

Parking Lot / New Business

None

Future Meetings / Upcoming Agenda Follow Up Items

The next meeting will be May 3, 2023. In addition to standing items, the agenda will include:

- Committee discussion of NAGDCA conference attendance;
- IPS scheduled for DCAC review & approval (holdover from February meeting);
- An update on Secure 2.0 impacts to plans;
- A presentation on WellCents (Learned, Harris to coordinate).

Regular meeting adjourned at 12:30 pm and the DCAC held an Executive Session to discuss contract renegotiation issues related to the MissionSquare Administrative Services Agreement.

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