

BOARD MEETING DATE: November 6, 2015

AGENDA NO. 23

TITLE: Annual Report on 457 Deferred Compensation Plan

SYNOPSIS: SCAQMD sponsors an IRS-approved 457 deferred compensation program for its employees. The Annual Report addresses the Board's responsibility for monitoring the activities of the Deferred Compensation Plan Committee and ensuring the Committee carries out its fiduciary duties and responsibilities under the Committee Charter.

COMMITTEE Administrative, October 9, 2015; Recommended for Approval

RECOMMENDED ACTION:
Receive and file.

Barry R. Wallerstein, D.Env.
Executive Officer

WJJ:WR

Background

SCAQMD sponsors and administers a 457 deferred compensation program for its employees. The plan is currently administered by Massachusetts Mutual Life Insurance Company (MassMutual), a retirement services, asset management and insurance firm. State law governs the fiduciary requirement for the operation and investment of 457 plans sponsored by governmental entities. SCAQMD's Board serves a fiduciary role subject to the duties and obligations under Article XVI, Section 17 of the California Constitution.

To meet its fiduciary responsibilities, the Board, at the time it established SCAQMD's 457 Plan, also established a Deferred Compensation Plan Committee to oversee the administration of the Plan. On May 2, 2008, the Board approved the Deferred Compensation Plan Committee Charter, formalizing the fiduciary duties and responsibilities of the Committee. In addition to the retirement plan administrator, SCAQMD utilizes services of an independent, third-party consulting firm, currently

Benefit Funding Services Group (BFSG), to provide services to the Plan as a fiduciary under a Registered Investment Advisor agreement.

Summary of Report

Attached is the 457 Deferred Compensation Plan Annual Report to the Board, for FY 2014-15. During this fiscal year period, the Committee reviewed the Plan funds and made several changes to consolidate funds that no longer met the Committee's investment policy criteria. In response to recent court cases surrounding fiduciary liability, the Committee reviewed and approved changes to the Investment Policy Statement as recommended by BFSG. The Committee also approved changes to the Plan Expense Reimbursement Account Policy to accurately detail the current arrangement with MassMutual as well as increase the reserve requirement from \$7,500 to \$15,000 to account for timing issues with reimbursement payments. Finally, the Committee amended the Plan Document to allow for rollovers from the OBRA Plan, allowing regular SCAQMD employees who were once part-time employees to consolidate their funds. The attached report provides information as of June 30, 2015, regarding the Plan Assets/Demographics and Plan Performance.

Attachment

457 Deferred Compensation Plan Annual Report for FY 2014-15

SEPTEMBER 2, 2015

ANNUAL REPORT TO THE BOARD

REPORT PERIOD: JULY 2014 -
JUNE 2015



South Coast Air Quality Management District
457 Deferred Compensation Plan

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SECTION I

EXECUTIVE SUMMARY

Executive Summary

South Coast Air Quality Management District ("SCAQMD") sponsors and administers an eligible deferred compensation program for its employees, as covered under section 457 of the Federal Internal Revenue Code. SCAQMD's Deferred Compensation Plan ("Plan") was adopted on January 1, 1987. Employees are immediately eligible upon hire to participate in the Plan.

SCAQMD's Deferred Compensation Plan Committee ("Committee"), officially chartered in May 2008, and whose members are appointed by SCAQMD's Governing Board, meets on a regular basis to review the Plan's design, investment options, asset allocation/demographics, and to make changes as necessary. Current membership includes the Chief Financial Officer, General Counsel, the Assistant Deputy Executive Officer of Administration and Human Resources, and a Human Resources Manager.

The Plan is administered by Massachusetts Mutual Life Insurance Company ("Mass Mutual"), a retirement services, asset management and insurance firm. MassMutual took over administration after purchasing the retirement plan business of Hartford Life Insurance Company ("Hartford"). MassMutual has informed the Committee of its intent to honor the terms of the agreement entered into with Hartford by the Committee effective November 17, 2011. MassMutual has been administering 457 Plans since 1979, has \$12 billion in 457 assets under management and an S&P credit rating of AA-.

In addition to the retirement plan administrator, SCAQMD utilizes the services of Benefit Funding Services Group ("BFSG"). BFSG is an independent, third-party consulting firm that provides services to the Plan as a fiduciary under a Registered Investment Advisor agreement. Their consulting services include investment analysis, review and recommendation of investment options offered in the Plan, fiduciary compliance assistance to Committee members and annual Plan cost benchmarking. BFSG has been providing services to the Plan since 2007.

The Plan was established to provide a retirement savings program for the employees of SCAQMD and is maintained for the exclusive purpose of benefiting the Plan participants and their beneficiaries. The Plan also is intended to operate in accordance with all applicable state and federal laws and regulations.

While Plan participants are ultimately responsible for their own investment decisions, the Committee endeavors to provide an appropriate range of investment options, allowing participants to invest in accordance with their own time horizons, risk tolerance, and retirement goals.

SECTION II

YEAR IN REVIEW

2014/2015 Year in Review

Items addressed and adopted by the Committee during the year are as follows:

Investment Menu

| Date | Item | Update |
|---------------------------------------|-------------|---|
| October 22, 2014 (Interim Meeting) | Fund Change | The Committee called an interim meeting due to the unexpected departure of Bill Gross from PIMCO. The Committee agreed to replace PIMCO Total Return with Metropolitan West Total Return Bond. The fund change occurred on January 2, 2015. |
| March 4, 2015 | Watch List | The Committee placed Artisan Mid Cap Value on the Watch List due to short-term underperformance |

SECTION III

PLAN ASSETS /
DEMOGRAPHICS

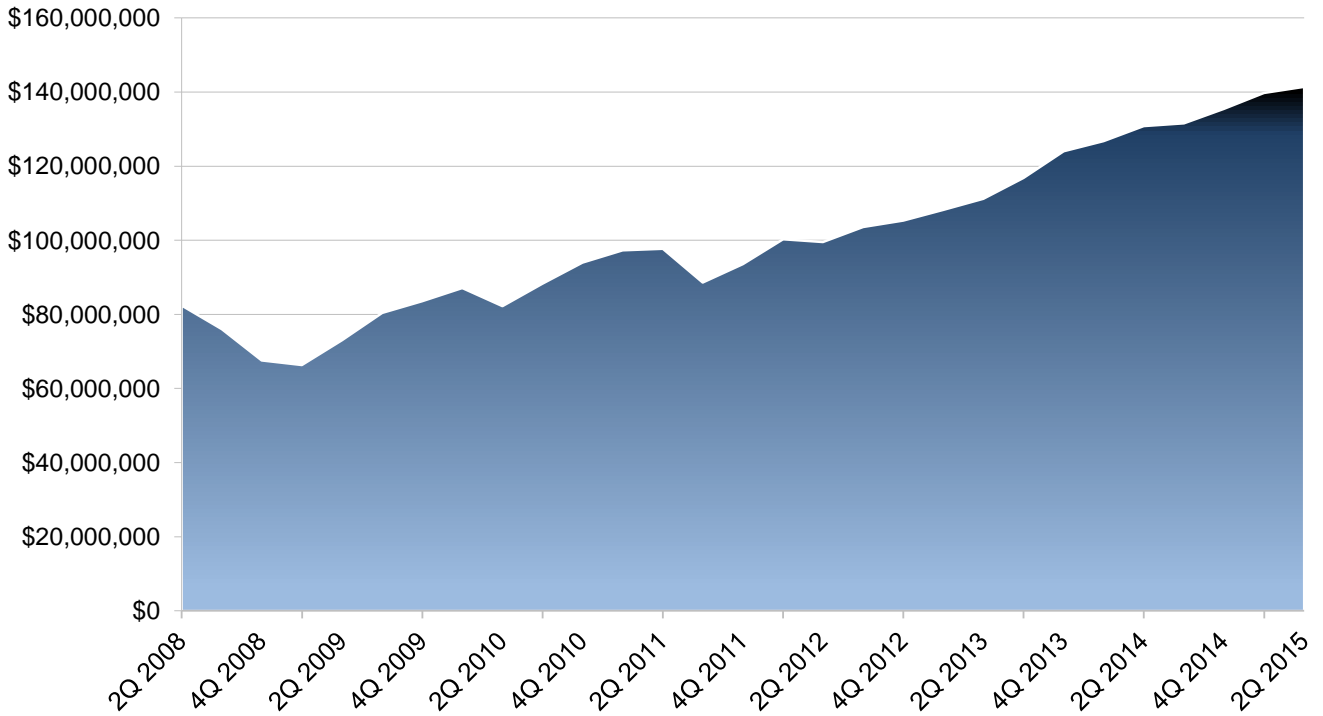
Plan Assets / Demographics as of June 30, 2015

| Investment Option | % of Assets | Participants | Plan Assets |
|--|----------------|--------------|----------------------|
| Hartford General Account | 45.77% | 601 | \$64,736,263 |
| Hartford Capital Appreciation HLS IA | 10.48% | 292 | \$14,824,158 |
| T. Rowe Price Blue Chip Growth | 9.17% | 329 | \$12,972,025 |
| Hartford MidCap HLS IA | 3.89% | 255 | \$5,497,472 |
| Hartford Dividend and Growth HLS IA | 3.52% | 253 | \$4,981,256 |
| SSgA S&P 500 Index Sec Lend Inv Opt | 3.36% | 151 | \$4,749,554 |
| Invesco Equity and Income A | 3.25% | 158 | \$4,592,204 |
| Hartford International Opp HLS IA | 3.14% | 293 | \$4,439,050 |
| Hartford Healthcare HLS IA | 2.75% | 113 | \$3,883,602 |
| Hartford Small Company HLS IA | 2.19% | 211 | \$3,104,032 |
| Metropolitan West Total Return Bond I | 2.16% | 203 | \$3,051,759 |
| MFS® Utilities A | 2.06% | 122 | \$2,908,838 |
| AllianzGI NFJ Small-Cap Value Admin | 1.15% | 180 | \$1,624,936 |
| SSgA Dow Jones Target 2045(SM) Sec Lend Inv Opt | 1.12% | 58 | \$1,582,633 |
| SSgA US Interm Gov/Credit Bond Index SL Inv Opt | 1.00% | 100 | \$1,413,693 |
| Artisan Mid Cap Value Investor | 0.86% | 155 | \$1,217,687 |
| MFS® International New Discovery A | 0.84% | 103 | \$1,186,525 |
| SSgA Dow Jones Target 2035(SM) Sec Lend Inv Opt | 0.75% | 31 | \$1,066,808 |
| SSgA S&P MidCap Index Non-Lend Series Inv Opt | 0.73% | 87 | \$1,036,890 |
| Invesco Real Estate R5 | 0.63% | 53 | \$890,187 |
| SSgA Russell Small Cap Index Sec Lend Inv Opt | 0.44% | 69 | \$619,316 |
| SSgA International Index Sec Lend Series Inv Opt | 0.30% | 34 | \$421,170 |
| SSgA Dow Jones Target 2025(SM) Sec Lend Inv Opt | 0.22% | 14 | \$310,581 |
| Neuberger Berman Socially Rspns Tr | 0.16% | 32 | \$232,802 |
| SSgA Dow Jones Target 2015(SM) Sec Lend Inv Opt | 0.06% | 5 | \$86,667 |
| American Century Capital Presv Investor | 0.01% | 4 | \$12,185 |
| SSgA Dow Jones Target Today | 0.00% | 2 | \$4,398 |
| Total | 100.00% | 827 | \$141,446,690 |

Note: Does not include Self-Directed Brokerage Account

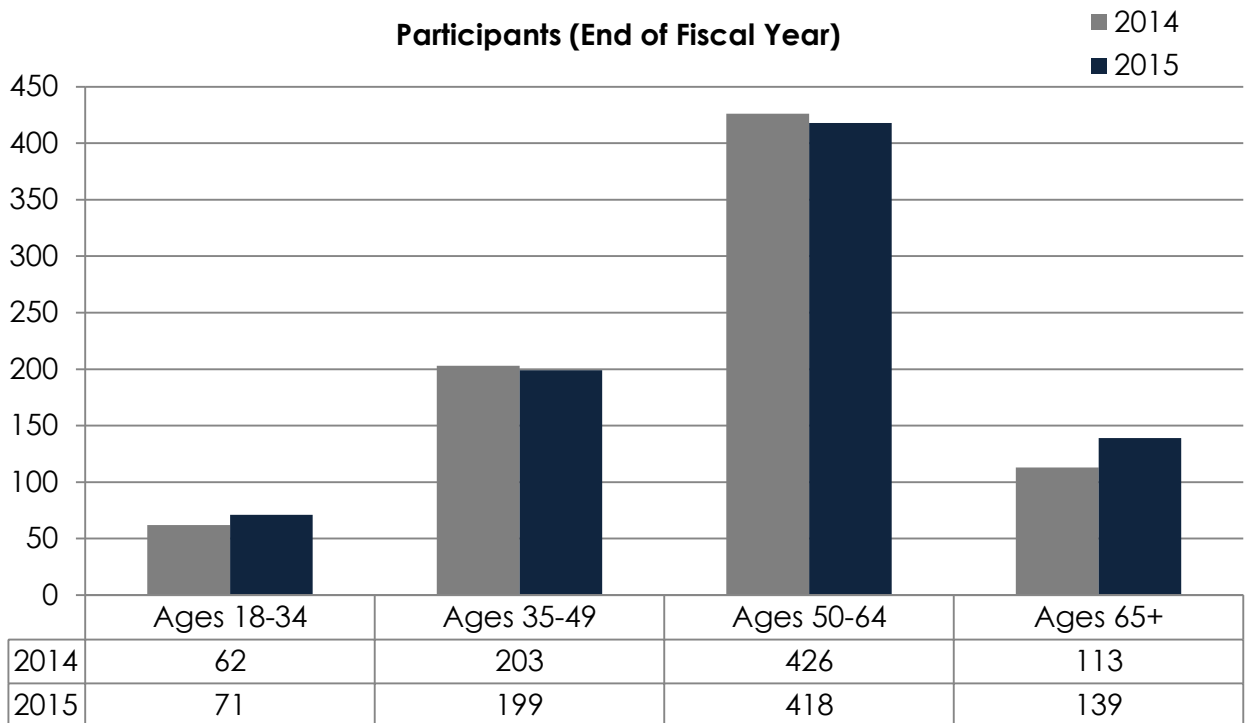
Plan Assets / Demographics

Growth of Plan Assets



Plan Participants by Age

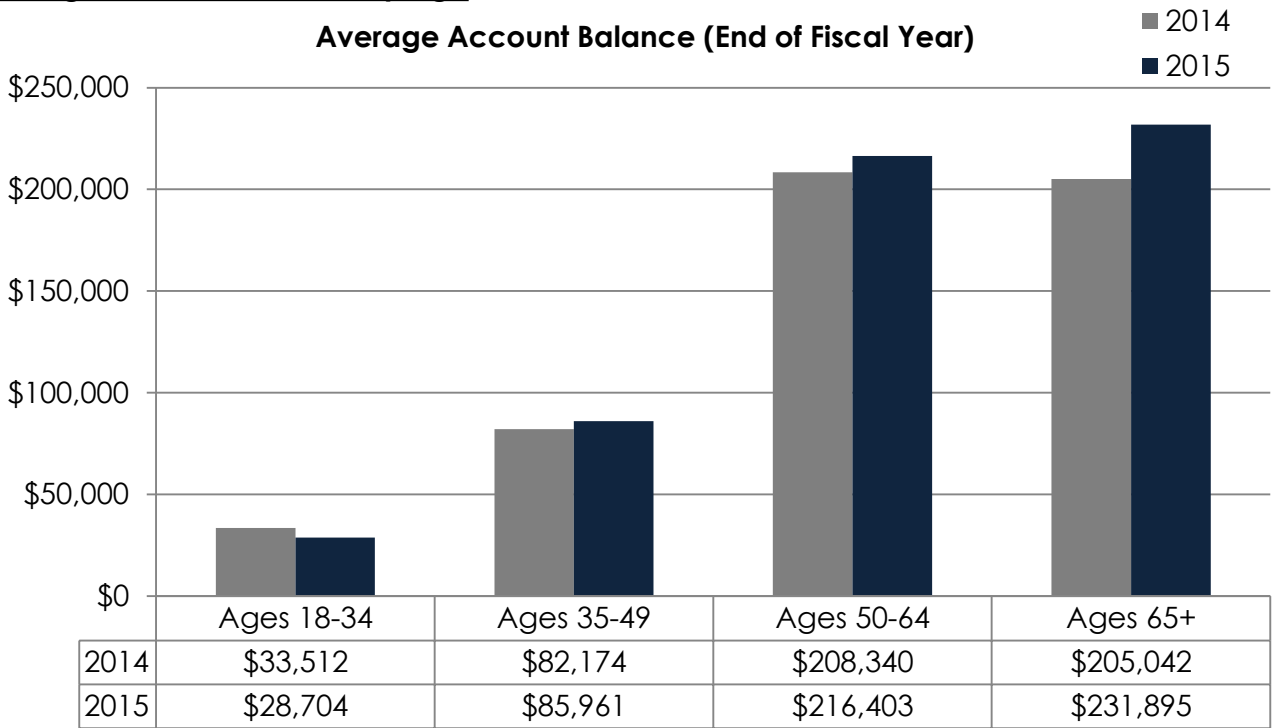
Participants (End of Fiscal Year)



Plan Assets / Demographics

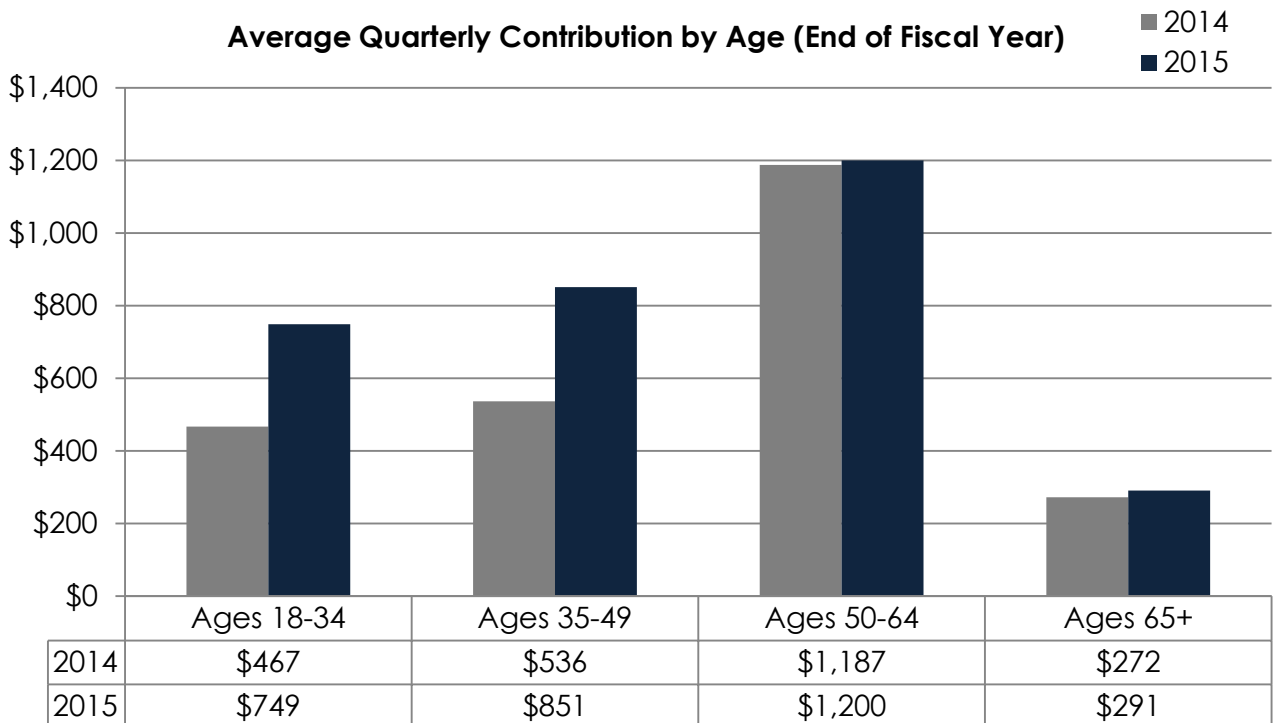
Average Account Balance by Age

Average Account Balance (End of Fiscal Year)



Average Contributions by Age

Average Quarterly Contribution by Age (End of Fiscal Year)



Plan Assets / Demographics

Annual Net Cash Flow –YTD 2015

| QUARTER ENDING | 2015 | | | | YTD |
|-------------------------------|----------------------|----------------------|----------------|---------------|----------------------|
| | March 31st | June 30th | September 30th | December 31st | Jan 1st - Dec 31st |
| Cash Flow | | | | | |
| Beginning Market Value | \$135,494,973 | \$139,760,890 | | | \$135,494,973 |
| Employee Deferrals | \$1,843,647 | \$2,362,968 | | | \$4,206,615 |
| Withdrawals | -\$1,002,878 | -\$1,443,372 | | | -\$2,446,250 |
| Net Loan Activity | \$11,164 | \$176,704 | | | \$187,868 |
| Fees | -\$1,577 | -\$1,364 | | | -\$2,941 |
| TOTAL DISBURSEMENTS | -\$993,291 | -\$1,268,032 | | | -\$2,261,322 |
| NET CASH FLOW | \$850,356 | \$1,094,936 | | | \$1,945,292 |
| Change in Value | \$3,415,560 | \$934,073 | | | \$4,349,634 |
| Net Transfers | \$0 | \$0 | | | \$0 |
| Ending Market Value | \$139,760,890 | \$141,789,899 | | | \$141,789,899 |

Annual Net Cash Flow - 2014

| QUARTER ENDING | 2014 | | | | YTD |
|-------------------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| | March 31st | June 30th | September 30th | December 31st | Jan 1st - Dec 31st |
| Cash Flow | | | | | |
| Beginning Market Value | \$124,067,692 | \$126,785,580 | \$130,882,473 | \$131,610,309 | \$124,067,692 |
| Employee Deferrals | \$1,596,665 | \$1,803,120 | \$1,501,179 | \$1,418,170 | \$6,319,135 |
| Withdrawals | -\$469,858 | -\$1,350,698 | -\$426,247 | -\$476,739 | -\$2,723,542 |
| Net Loan Activity | -\$44,098 | -\$61,293 | \$53,137 | -\$77,058 | -\$129,312 |
| Fees | -\$1,577 | -\$1,746 | -\$1,602 | -\$1,677 | -\$6,601 |
| TOTAL DISBURSEMENTS | -\$515,533 | -\$1,413,737 | -\$374,712 | -\$555,473 | -\$2,859,455 |
| NET CASH FLOW | \$1,081,132 | \$389,384 | \$1,126,467 | \$862,697 | \$3,459,681 |
| Change in Value | \$1,636,756 | \$3,755,863 | -\$398,631 | \$3,021,967 | \$8,015,955 |
| Net Transfers | \$0 | -\$48,354 | \$0 | \$0 | -\$48,354 |
| Ending Market Value | \$126,785,580 | \$130,882,473 | \$131,610,309 | \$135,494,973 | \$135,494,973 |

SECTION IV

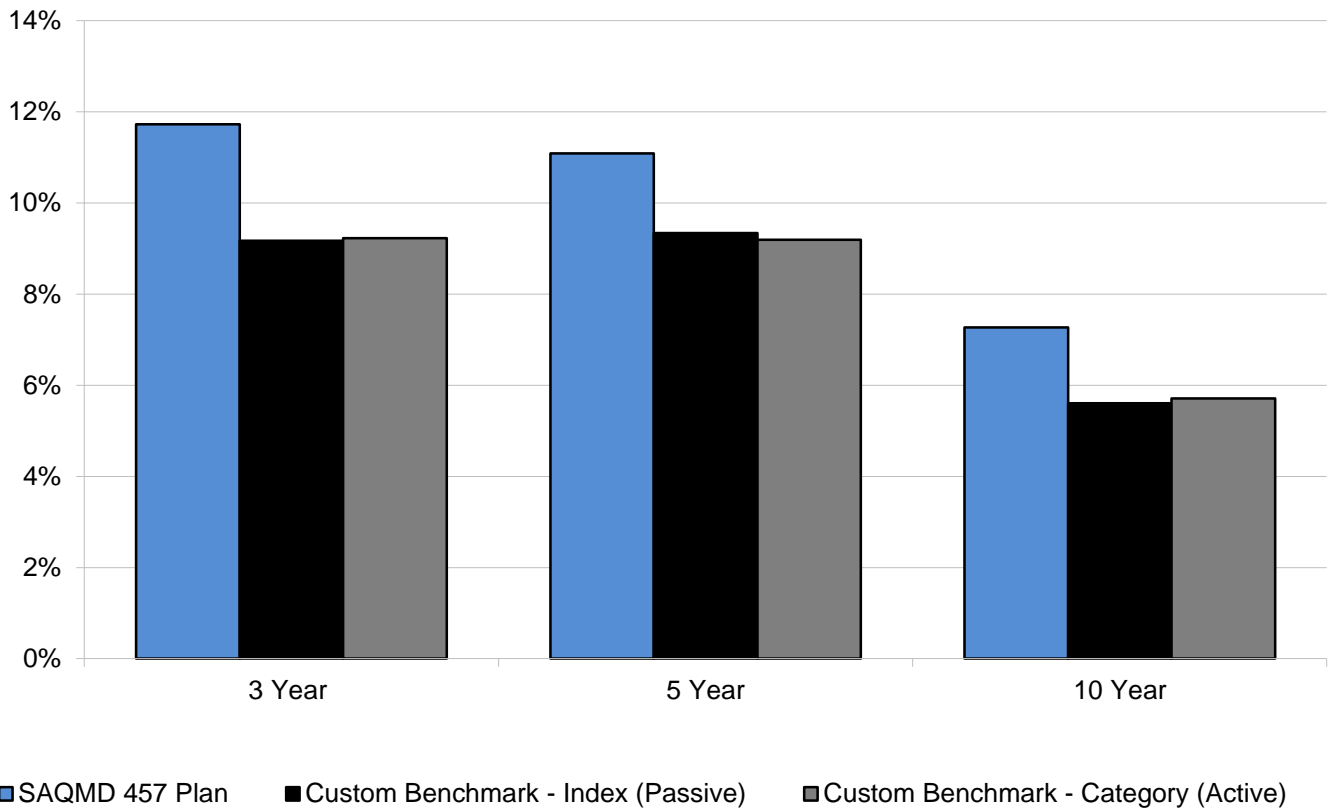
PLAN PERFORMANCE

Weighted Portfolio Return versus Custom Benchmark

| Performance as of June 30, 2015 | 3 Month | 1 Year | Annualized Returns | | | 3 YR Std Dev | 3 YR Sharpe | Expense Ratio |
|--------------------------------------|--------------|--------------|--------------------|---------------|--------------|-----------------|----------------|------------------|
| | | | 3 Year | 5 Year | 10 Year | | | |
| SAQMD 457 Plan | 0.71% | 5.85% | 11.73% | 11.09% | 7.27% | 4.74 | 2.36 | 0.72 |
| Custom Benchmark - Index (Passive) | 0.07% | 4.27% | 9.17% | 9.34% | 5.60% | N/A | N/A | N/A |
| Custom Benchmark - Category (Active) | 0.26% | 4.16% | 9.23% | 9.19% | 5.71% | 4.35 | 2.05 | 0.89 |

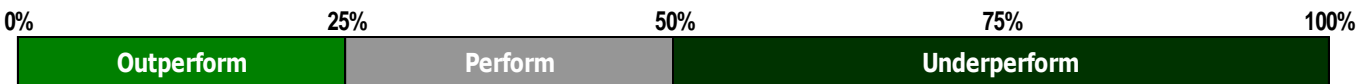
*Custom expense ratio represents the weighted expense (based upon current allocation) of Institutional and Retirement share classes in each asset category.

Annualized Returns



Individual Fund Ranking (Per Investment Policy Statement Evaluation Criteria)

| Investment Name | Quarterly Ranking | | | |
|---|-------------------|---------|---------|---------|
| | 2Q15 | 1Q15 | 4Q14 | 3Q14 |
| Intermediate-Term Bond Metropolitan West Total Return Bond I | 0 | 0 | 0 | 0 |
| Moderate Allocation Invesco Equity and Income A | 20 | 27 | 15 | 13 |
| Large Value Hartford Dividend & Growth HLS IA | 3 | 3 | 3 | 4 |
| Large Blend Hartford Capital Appreciation HLS IA | 25 | 33 | 32 | 25 |
| Large Growth Neuberger Berman Socially Rspns Tr T. Rowe Price Blue Chip Growth | 63 1 | 53 1 | 53 2 | 55 1 |
| Mid Value Artisan Mid Cap Value Investor | 72 | 68 | 63 | 54 |
| Mid Growth Hartford MidCap HLS IA | 7 | 4 | 2 | 1 |
| Small Value AllianzGI NFJ Small Cap Value Admin | 42 | 36 | 34 | 25 |
| Small Growth Hartford Small Company HLS IA | 18 | 11 | 8 | 9 |
| Foreign Large Equity Hartford International Opp HLS IA | 2 | 6 | 4 | 5 |
| Foreign Small/Mid Equity MFS® International New Discovery A | 41 | 41 | 27 | 34 |
| Healthcare Hartford Global Health HLS IA | 16 | 19 | 17 | 20 |
| Real Estate Invesco Real Estate R5 | 33 | 35 | 32 | 22 |
| Utilities MFS Utilities A | 24 | 34 | 35 | 22 |
| Average Rank | 24 | 25 | 23 | 20 |
| Plan Weighted Rank (Reweighted) | 15 | 17 | 17 | 13 |



SECTION V

APPENDIX

SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
DEFERRED COMPENSATION PLAN COMMITTEE
MEETING MINUTES

September 3, 2014

Members Present: Mr. Bill Johnson – Asst. Deputy Executive Officer/Admin and Human Resources
Mr. Bill Richards – Human Resources Manager
Mr. Michael O’Kelly – Chief Financial Officer
Mr. Kurt Wiese – General Counsel

Committee Consultants: Mr. John Campbell – Benefit Funding Services Group (BFSG)
Mr. Darren Stewart – BFSG
Mr. Robert Trenergy - MassMutual

Call to Order: The regular meeting of the Deferred Compensation Plan Committee was called to order by Mr. Johnson on September 3, 2014 at 2:05 pm in Conference Room CC-3. It was noted a quorum was present.

1. Approval of Prior Meeting Minutes

The minutes from the meeting held on July 21, 2014 were reviewed, revised, and unanimously approved by the Committee.

Investment Agenda

2. 457 Plan Quarterly Investment Review – 2nd Quarter 2014

The Committee received and filed the 457 Plan Quarterly Investment Review dated June 30, 2014 as prepared by BFSG. Mr. Campbell provided a brief economic and market overview outlining economic growth as measured by GDP, inflation, unemployment, interest rates and market sector returns during the 1st quarter of 2014. The Committee reviewed the performance of each investment option in the Plan relative to its respective benchmark during the quarter and annualized over a 1, 3, 5 and 10 year basis. Mr. Stewart provided the following qualitative information on the funds requiring discussion:

American Century Capital Preservation: The SEC recently issued regulations affecting prime money market funds. It is unclear if the regulations will apply to retirement plans, but potential implications include redemption fees and restricted withdrawals during times of financial stress. The regulations will go into effect January 1, 2016. BFSG will provide updates to the Committee as details are released.

Artisan Mid Cap Value: The fund has underperformed in the short- and intermediate-term. A large cash position has detracted from performance during the market rally. The fund typically underperforms during up-markets and outperforms during down-markets. Risk-adjusted performance across all measured time periods remains strong relative to its peer group. Long-term performance remains in the top 4% of its peer group.

SSGA Dow Jones Target Date Funds: The funds have underperformed over most measured time periods due to a very conservative glidepath and a significant underweight to equities. The funds attempt to track the Dow Jones Target Date Index. The funds have historically underperformed during market rallies but protected investors during market downturns.

As weighted on June 30, 2014, the Plan outperformed passive and active benchmarks across all measured time periods. The Plan-weighted expense ratio is 73 bps which is below the custom category average of 90 bps.

SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
DEFERRED COMPENSATION PLAN COMMITTEE
MEETING MINUTES

Administrative Agenda

3. Quarterly Plan Review

The Committee received and filed the MassMutual Retirement Plan Review dated June 30, 2014. Mr. Trenerry review plan statistics and demographics. Assets increased approximately \$4 million for the quarter to \$130.9 million. The average account balance increased to \$162,856, but the average loan balance remains much higher than in other MassMutual plans at \$15,359. The high average loan balance is likely due to the high average account balance. Nearly 24% of participants are invested in a single investment option, but 54 participants are utilizing the asset allocation models.

4. Annual Report to the Governing Board

The Committee received and reviewed the Annual Report to the Governing Board created by BFGS. The purpose of the Annual Report is to assist the Governing Board in fulfilling its responsibility to monitor the Committee, to which it has delegated fiduciary responsibility. The Committee made several edits to the presentation. Mr. Stewart will make the changes and send an electronic copy to Mr. Johnson.

5. Public Comments

Mr. Johnson asked the attending members of the Public for comment but received no reply.

Adjournment

With no further items to address, Mr. Johnson adjourned the meeting at 3:30 pm.

SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
DEFERRED COMPENSATION PLAN COMMITTEE
MEETING MINUTES

October 22, 2014

Members Present: Mr. Bill Johnson – Asst. Deputy Executive Officer/Admin and Human Resources
Mr. Bill Richards – Human Resources Manager
Mr. Michael O’Kelly – Chief Financial Officer
Mr. Kurt Wiese – General Counsel

Committee Consultants: Mr. John Campbell – Benefit Funding Services Group (BFSG)
Mr. Darren Stewart – BFSG
Mr. Darryl Shafer - MassMutual

Call to Order: The special meeting of the Deferred Compensation Plan Committee was called to order by Mr. Johnson on October 22, 2014 at 2:00 pm in Conference Room CC-7. It was noted a quorum was present.

Investment Agenda

1. PIMCO Total Return Fund Search

The Plan currently offers PIMCO Total Return as its only intermediate bond investment option and the fund is also held in the Asset Allocation Models. Founder and President of PIMCO Bill Gross recently announced his immediate resignation. This follows the resignation of CEO Mohamed El-Erian earlier this year. A team of managers has taken over for Gross in managing PIMCO Total Return. The announcement has led to significant cash outflows which may lead to organizational and fund management issues. As a result, the Committee unanimously voted to remove PIMCO Total Return from the Plan and replace it with Metropolitan West Total Return Bond. The fund was chosen for its strong historical performance in up- and down-markets, strong risk-adjusted performance, and low expenses. This change will also affect the allocations in the Asset Allocation Models.

2. Public Comments

Mr. Johnson asked the attending members of the Public for comment but received no reply.

Adjournment

With no further items to address, Mr. Johnson adjourned the meeting at 2:35 pm.

SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
DEFERRED COMPENSATION PLAN COMMITTEE
MEETING MINUTES

December 10, 2014

Members Present: Mr. Bill Johnson – Asst. Deputy Executive Officer/Admin and Human Resources
Mr. Bill Richards – Human Resources Manager
Mr. Michael O’Kelly – Chief Financial Officer

Members Absent: Mr. Kurt Wiese – General Counsel

Committee Consultants: Mr. John Campbell – Benefit Funding Services Group (BFSG)
Ms. Aksana Munoz – BFSG
Mr. Robert Trenerry - MassMutual

Call to Order: The regular meeting of the Deferred Compensation Plan Committee was called to order by Mr. Johnson on December 10, 2014 at 2:10 pm in Conference Room CC-7. It was noted a quorum was present.

1. Approval of Prior Meeting Minutes

The minutes from the meetings held on September 3 and October 22, 2014 were reviewed and unanimously approved by the Committee members in attendance.

Investment Agenda

2. 457 Plan Quarterly Investment Review – 3rd Quarter 2014

The Committee received and filed the 457 Plan Quarterly Investment Review dated June 30, 2014 as prepared by BFSG. Mr. Campbell provided a brief economic and market overview outlining economic growth as measured by GDP, inflation, unemployment, interest rates and market sector returns during the 3rd quarter of 2014. The Committee reviewed the performance of each investment option in the Plan relative to its respective benchmark during the quarter and annualized over a 1, 3, 5 and 10 year basis. Mr. Campbell provided the following qualitative information on the funds requiring discussion:

PIMCO Total Return: The fund is scheduled to be removed from the Plan on January 2, 2015. All assets and future contributions will be mapped to Metropolitan West Total Return Bond. Metropolitan West Total Return Bond will replace PIMCO Total Return in the Asset Allocation Models.

Invesco Equity and Income: The fund outperformed its benchmark and peers across all measured time periods. It was noted that fund was recently re-categorized by Morningstar to Moderate Allocation. The fund is currently allocated with approximately 65% to equity and 35% to fixed income. The fixed income portion is invested heavily in high quality securities and cash.

Neuberger Berman Socially Responsive: As of the end of the reporting period, the fund underperformed its passive and active benchmark across all measured time periods largely due to an overweight to energy. Management avoids stocks that get significant revenue from alcohol, tobacco, nuclear power, or gambling, and favors those with good community and environmental records. As the fund is following its philosophy, there was no concern raised at this time.

Artisan Mid Cap Value: The fund underperformed in the short- and intermediate-term largely due to an overweight position to energy and consumer discretionary. The fund typically underperforms during up-markets and performs well during down-markets. Long-term performance remains strong.

SSGA Dow Jones Target Date Funds: The funds have underperformed over most measured time periods due to a very conservative glide path and a significant underweight to equities. The funds seek an investment return that approximates as closely as practicable the performance of the applicable Dow Jones Target Date Index. The funds have historically underperformed during market rallies but protected investors during market downturns.

SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
DEFERRED COMPENSATION PLAN COMMITTEE
MEETING MINUTES

The Committee reviewed the performance of the Asset Allocation Models noting each model has exceeded its custom benchmark across all measured time periods as of September 30, 2014. Model net expense ratios range from 67 basis points to 78 basis points, well below the custom peer group averages.

As weighted on September 30, 2014, the Plan outperformed passive and active benchmarks across all measured time periods. The Plan-weighted expense ratio is 73 bps which is below the custom category average of 91 bps.

Administrative Agenda

3. Quarterly Plan Review

The Committee received and filed the MassMutual Retirement Plan Review dated September 30, 2014. Mr. Trenerry reviewed Plan statistics which included demographics, asset allocation by category, participation by age group, asset allocation modes participation, and contributions. Net cash flow was approximately \$313,000 and assets increased to over \$131 million. The average account balance remains very high at approximately \$162,000. It was also noted that the participation in the Asset Allocation Models increased 4% during the quarter.

4. Discussion Regarding Retirement Fees

Due to absence of Mr. Kurt Wiese, this topic was tabled to the next meeting.

5. Calendar Year 2015 Meeting Dates

The Committee presented the 2015 schedule for the Deferred Compensation Plan Committee. Meetings will be held at 2:00 on March 4th, June 10th, September 2nd, and December 2nd in Conference Room CC-3/5. BFSG will work with the Committee to coordinate these dates.

6. Public Comments

Mr. Johnson asked the attending members of the Public for comment but received no reply.

Adjournment

With no further items to address, Mr. Johnson adjourned the meeting at 3:54 pm.

SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
DEFERRED COMPENSATION PLAN COMMITTEE
MEETING MINUTES

March 4, 2015

Members Present: Mr. Bill Johnson – Asst. Deputy Executive Officer/Admin and Human Resources
Mr. Bill Richards – Human Resources Manager
Mr. Kurt Wiese – General Counsel

Members Absent: Mr. Michael O’Kelly – Chief Financial Officer

Committee Consultants: Mr. John Campbell – Benefit Funding Services Group (BFSG)
Mr. Darren Stewart - BFSG
Ms. Aksana Munoz – BFSG
Mr. Robert Trenergy - MassMutual

Call to Order: The regular meeting of the Deferred Compensation Plan Committee was called to order by Mr. Johnson on March 4, 2015 at 2:00 pm in Conference Room CC-5. It was noted a quorum was present.

1. Approval of Prior Meeting Minutes

The minutes from the meeting held on December 10, 2014 were reviewed and unanimously approved by the Committee members in attendance.

Investment Agenda

2. 457 Plan Quarterly Investment Review – 4th Quarter 2014

The Committee received and filed the 457 Plan Quarterly Investment Review (“Report”) dated December 31, 2014 as prepared by BFSG. Mr. Campbell provided a brief economic and market overview outlining economic growth as measured by GDP, inflation, unemployment, interest rates and market sector returns during the 4th quarter of 2014. The Committee reviewed the performance of each investment option in the Plan relative to its respective benchmark during the quarter and annualized over a 1-, 3-, 5- and 10-year basis. Mr. Campbell provided the following qualitative information on the funds requiring discussion:

Hartford Capital Appreciation underperformed its benchmark index and peers for the quarter and on a 1- and 5-year basis largely due its high position in foreign equities. The fund’s overweight to healthcare added to performance. Long-term performance remains strong.

Artisan Mid Cap Value: The fund significantly underperformed in the short and intermediate term due to an overweight to energy. The fund tends to underperform during up markets and perform well during down markets. Long-term performance ranks in the top 13% amongst its peers. After discussion, the Committee agreed to place the fund on the Watch List due to significant underperformance.

AllianzGI NFJ Small-Cap Value underperformed its benchmark and active category for the quarter and on a 1-, 3-, and 5-year basis largely due to an overweight to materials and energy. Management invests heavily in stocks paying dividends. The fund historically performs better than its peers during down markets, but underperforms during market rallies. Risk-adjusted performance, as measured by the Sharpe Ratio, remains strong. Long-term performance ranks in the top 8% amongst its peers.

The Asset Allocation Models performance was also reviewed, and noted as predominantly outperforming their custom benchmarks with lower expense ratios than the benchmarks.

As weighted on December 31, 2014, the Plan outperformed its peers across all measured time periods noted in the Report, but underperformed its passive benchmark for the quarter on a one-year basis. The Plan-weighted expense ratio is 73 bps which is below the custom category average of 90 bps.

SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
DEFERRED COMPENSATION PLAN COMMITTEE
MEETING MINUTES

Administrative Agenda

3. Quarterly Plan Review

The Committee received and filed the MassMutual Retirement Plan Review dated December 31, 2014. Mr. Trenerry reviewed Plan statistics which included the Plan's cash flow, rollover contributions, withdrawals, loans, demographics, and participation statistics. Mr. Trenerry proposed a communication campaign with a goal of increasing enrollment and participation in the Plan and in the Asset Allocation Models. Mass Mutual will work with Mr. Richards on the details of this communication campaign.

4. Discussion Regarding Retirement Fees

In the interest of time, this topic was tabled to the next meeting.

5. Other Business

The Committee discussed benefits of potentially adding a 401 (a) Plan to utilize for the employer's match. Mass Mutual will work on a fee proposal to recordkeep the Plan and will provide it to the Committee at the next meeting.

6. Public Comments

Mr. Johnson asked the attending members of the Public for comment but received no reply.

Adjournment

With no further items to address, Mr. Johnson adjourned the meeting at 3:40 pm.

SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
DEFERRED COMPENSATION PLAN COMMITTEE
MEETING MINUTES

June 10, 2015

Members Present: Mr. Bill Johnson – Asst. Deputy Executive Officer/Admin and Human Resources
Mr. Michael O’Kelly – Chief Financial Officer
Mr. Bill Richards – Human Resources Manager
Mr. Kurt Wiese – General Counsel

Committee Consultants: Mr. Darren Stewart – Benefit Funding Services Group (“BFSG”)
Ms. Aksana Munoz – BFSG
Mr. Robert Trenergy - MassMutual

Call to Order: The regular meeting of the Deferred Compensation Plan Committee was called to order by Mr. Johnson on June 10, 2015 at 2:00 pm in Conference Room CC-5. It was noted a quorum was present.

1. Approval of Prior Meeting Minutes

The minutes from the meeting held on March 4, 2015 were reviewed and unanimously approved by the Committee as written.

Investment Agenda

2. 457 Plan Quarterly Investment Review – 1st Quarter 2015

The Committee received and filed the 457 Plan Quarterly Investment Review (“Report”) dated March 31, 2015 as prepared by BFSG. Mr. Stewart provided a brief economic and market overview outlining economic growth as measured by GDP, inflation, unemployment, interest rates, and market sector returns during the 1st quarter of 2015. The Committee reviewed the performance of each investment option in the Plan relative to its respective benchmark during the quarter and annualized over a one-, 3-, 5- and 10-year basis. Mr. Stewart provided the following qualitative information on the funds requiring discussion:

American Century Capital Preservation: The Committee discussed pros and cons of having the money market fund in the Plan alongside the Hartford General Account. The Committee agreed to add a potential removal of the fund and the asset class to the next agenda.

Invesco Equity & Income: The fund underperformed its passive and active benchmarks for the quarter and on a one-year period. An overweight in financials detracted from performance for the quarter while an underweight in foreign equities contributed to performance on a 3-year basis. The fund has outperformed its peers on a 3-, 5-, and 10-year basis.

Artisan Mid Cap Value, which is currently on the Watch List, slightly underperformed its passive benchmark and peers for the quarter. The fund significantly underperformed both benchmarks on a 3- and 5-year basis but outperformed its peers on a 10-year basis. An overweight in energy and industrials and an underweight in healthcare contributed to the recent underperformance. After discussion, the Committee unanimously agreed to keep the fund on the Watch List due to its relative underperformance. If the fund’s performance does not improve in the next quarter, BFSG will prepare an analysis of available alternatives in the mid-cap value category for review at the next Committee meeting.

AllianzGI NFJ Small-Cap Value: The fund underperformed its passive benchmark and active benchmark on a one-, 3-, and 5-year basis but outperformed both benchmarks for the quarter. Strong stock selection contributed to performance while an overweight in energy and materials detracted from performance. Long-term performance is in the top quartile amongst its peers.

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The Committee reviewed the performance of the Asset Allocation Models noting each model has exceeded its custom benchmark across all measured time periods as of March 31, 2015. Model net expense ratios range from 66 basis points to 77 basis points, well below the custom benchmarks.

As weighted on March 31, 2015, the Plan outperformed its peers across all measured time periods noted in the Report. The Plan-weighted expense ratio is 72 bps which is below the custom category average of 90 bps.

Asset Allocation: Assets in the Plan totaled \$139.4 million as of the end of the reporting period representing 810 participant accounts with a balance.

Administrative Agenda

3. Quarterly Plan Review

The Committee reviewed the MassMutual Retirement Plan Review for the period ending March 31, 2015. The average participant loan balance increased by 7% while account balances for participants under age 50 increased by 4% during the quarter. As of March 31, 2015, 57 participants utilize the asset allocation models. The Committee also reviewed the Plan's cash flow, contributions, withdrawals, and participation statistics.

4. 401(a) Plan Proposal

The topic was tabled to a future meeting.

5. Discussion Regarding Retirement Fees

The Committee discussed recent industry-related headline news regarding retirement fees, including the Tibble v. Edison Court ruling.

6. Other Business

Hartford Contract Extension Proposal: It was noted that the current Contract with Hartford is set to expire in November 2016. As such, Mr. Trenerry was asked to provide a new contract proposal for the Committee's review and discussion at the next meeting.

Committee Charter: It was noted that an updated Committee Charter shall be presented for review at a future meeting.

7. Public Comments

Mr. Johnson asked the attending members of the Public for comment but received no reply.

Adjournment

With no further items to address, Mr. Johnson adjourned the meeting at 3:55 pm.