

BOARD MEETING DATE: November 4, 2016

AGENDA NO. 13

TITLE: Annual Report on 457 Deferred Compensation Plan and Appoint Member to Deferred Compensation Plan Committee

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. Also, pursuant to the Charter approved by the Board, the Board must appoint new members to the Committee whenever vacancies occur. One member retired in July, 2016. These actions are to appoint a successor for this member and receive and file the annual report.

COMMITTEE Administrative, October 14, 2016; Recommended for Approval

RECOMMENDED ACTIONS:

1. Receive and file Annual Report.
2. Appoint Assistant Deputy Executive Officer/Administrative and Human Resources, A. John Olvera, to the Deferred Compensation Plan Committee effective November 4, 2016.

Wayne Nastri
Acting Executive Officer

AJO:tc

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

The four members of the Deferred Compensation Plan Committee are the Chief Administrative Officer, the Assistant Deputy Executive Officer/Administrative and Human Resources, the Human Resources Manager over employee benefits, and the General Counsel. Article 8.1 of the Committee Charter provides that whenever there is a vacancy on the Committee, the Board appoints successors. The former Assistant Deputy Executive Officer/Administrative and Human Resources retired from SCAQMD on July 8, 2016.

Summary of Report

Attached is the 457 Deferred Compensation Plan Annual Report to the Board for FY 2015-16. During this fiscal year period, the Committee, through BFSG, issued a Request for Information (RFI) for deferred compensation plan sponsor services. Based upon review of the information received, the Committee extended SCAQMD's contract with MassMutual through December 31, 2021. The Committee also reviewed Plan funds, implemented a change in share class funds to reduce participants' fees, replaced one fund with another due to the negative effects from the departure of the fund's administrator, and placed another fund on the Watch List due to short-term underperformance. As of June 30, 2016, the plan has:

- 840 participants (employees and retirees)
- Over \$143.6 million in assets
- An average account balance of \$171,385
- Outperformed the 3-, 5- and 10-year benchmarks

The attached report provides more detailed information regarding the Plan Assets/Demographics and Plan Performance.

Proposal

Appoint the new Assistant Deputy Executive Officer/Administrative and Human Resources, A. John Olvera, to the Deferred Compensation Committee effective November 4, 2016 to replace the outgoing member of the Committee.

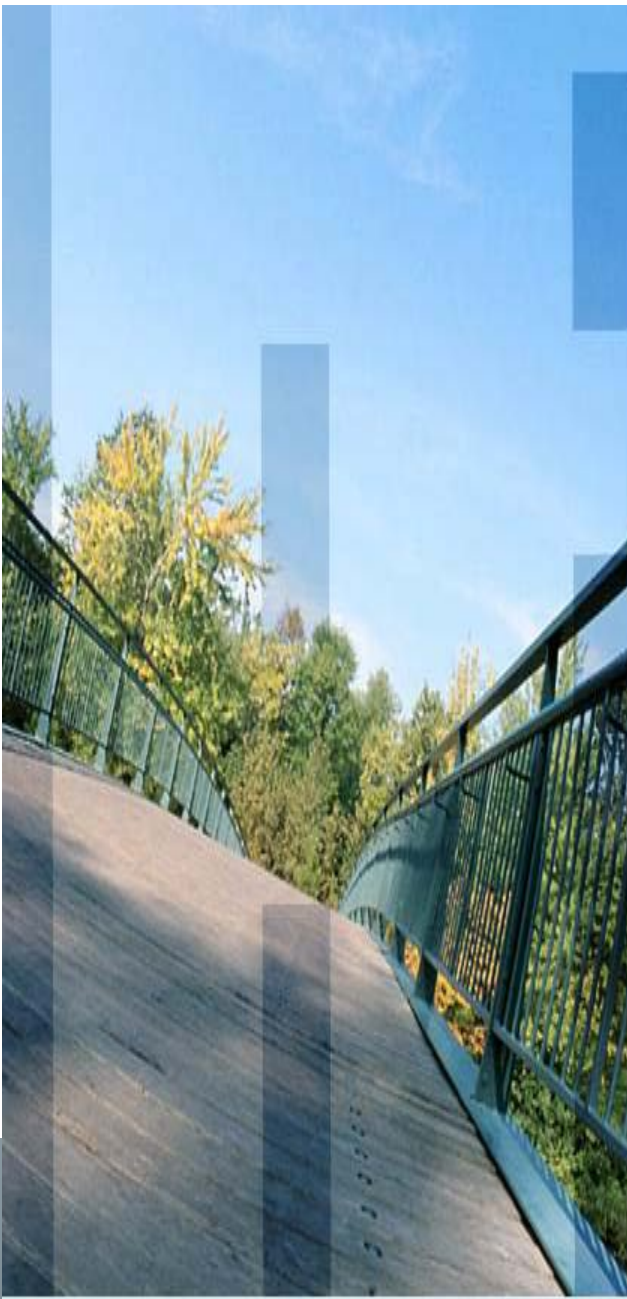
Attachment

457 Deferred Compensation Plan Annual Report for FY 2015-16

SEPTEMBER 14, 2016

ANNUAL REPORT TO THE BOARD

**REPORT PERIOD: JULY 2015 -
JUNE 2016**



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 provides recordkeeping and administration services to over 3,100 Government entities with over \$15 billion in total assets. 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 Financial Services Group ("BFSG"). BFSG is a 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

2015/2016 Year in Review

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

Plan Summary

Date	Item	Update
December 18, 2015 (Interim meeting)	Request for Information ("RFI")	To assist the Committee with their fiduciary process, BFSG conducted a blind RFI. The Committee reviewed the data compiled from the blind RFI.
	MassMutual Contract Extension	The Committee agreed to extend the MassMutual Contract through December 31, 2021.
March 2, 2016	Share Class Analysis	The Committee reviewed a Share Class Analysis (the "Analysis") prepared by BFSG. The Analysis demonstrated efficient ways to reduce the expense ratios of certain funds in the Plan such that the participants would benefit from fee reduction provided by MassMutual. The Committee agreed to move forward with the proposed share class changes.

2015/2016 Year in Review

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

Investment Menu

Date	Item	Update
September 2, 2015	Watch List	The Committee placed Invesco Real Estate on the Watch List due to underperformance.
May 27, 2016	Fund Removal	American Century Capital Preservation was removed from the Plan with balances and future contributions mapped to Hartford General Account.
	Fund Addition	Vanguard Selected Value was added to the Plan.
	Fund Removal	Artisan Mid Value was removed from the Plan with balances and future contributions mapped to Vanguard Selected Value.
June 8, 2016	Watch List	The Committee placed AllianzGI NFJ Small-Cap Value on the Watch List due to underperformance.
	Watch List	The Committee placed Hartford Small Company on the Watch List due to underperformance.

SECTION III

PLAN ASSETS /
DEMOGRAPHICS

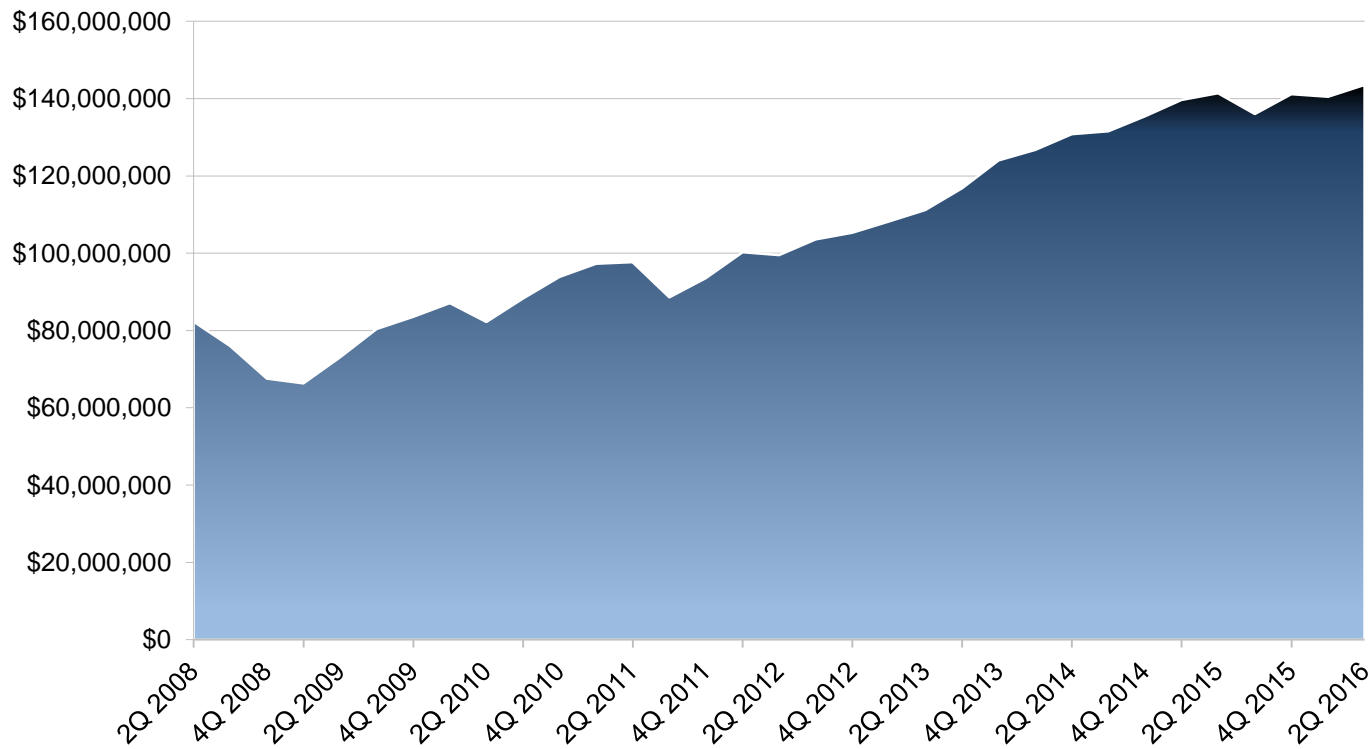
Plan Assets / Demographics as of June 30, 2016

Investment Option	% of Plan Assets	Participants	Plan Assets
Hartford General Account	48.53%	618	\$69,692,312
Hartford Capital Appreciation HLS IA	9.53%	268	\$13,685,097
T. Rowe Price Blue Chip Growth	9.30%	339	\$13,355,457
SSgA S&P 500 Index Sec Lend Inv Opt I	3.54%	148	\$5,087,755
Hartford MidCap HLS IA	3.41%	254	\$4,902,817
Hartford Dividend and Growth HLS IA	3.35%	251	\$4,810,833
Hartford Healthcare HLS IA	3.05%	110	\$4,385,315
Invesco Equity and Income A	2.82%	143	\$4,050,223
Hartford International Opp HLS IA	2.76%	292	\$3,961,665
Metropolitan West Total Return Bond I	2.16%	198	\$3,105,130
Hartford Small Company HLS IA	1.59%	201	\$2,284,874
MFS® Utilities A	1.58%	104	\$2,272,836
SSgA Dow Jones Target 2045(SM) Sec Lend Inv Opt A	1.12%	2	\$1,605,974
SSgA US Interm Gov/Credit Bond Index SL Inv Opt I	1.02%	162	\$1,460,484
AllianzGI NFJ Small-Cap Value Admin	1.02%	185	\$1,459,955
SSgA Dow Jones Target 2035(SM) Sec Lend Inv Opt A	0.96%	66	\$1,385,786
Vanguard Selected Value Inv	0.87%	162	\$1,251,446
Invesco Real Estate R5	0.81%	47	\$1,167,794
SSgA S&P MidCap Index Non-Lend Series Inv Opt I	0.76%	85	\$1,091,201
MFS® International New Discovery A	0.64%	86	\$923,071
SSgA Russell Small Cap Index Sec Lend Inv Opt I	0.43%	70	\$618,870
SSgA International Index Sec Lend Series Inv Opt I	0.29%	40	\$421,259
SSgA Dow Jones Target 2025(SM) Sec Lend Inv Opt A	0.22%	37	\$319,258
Neuberger Berman Socially Rspns Tr	0.15%	5	\$218,308
SSgA Dow Jones Target 2015(SM) Sec Lend Inv Opt A	0.06%	14	\$90,959
SSgA Dow Jones Target Today A	0.00%	198	\$4,541
Total	100.00%	840	\$143,613,218

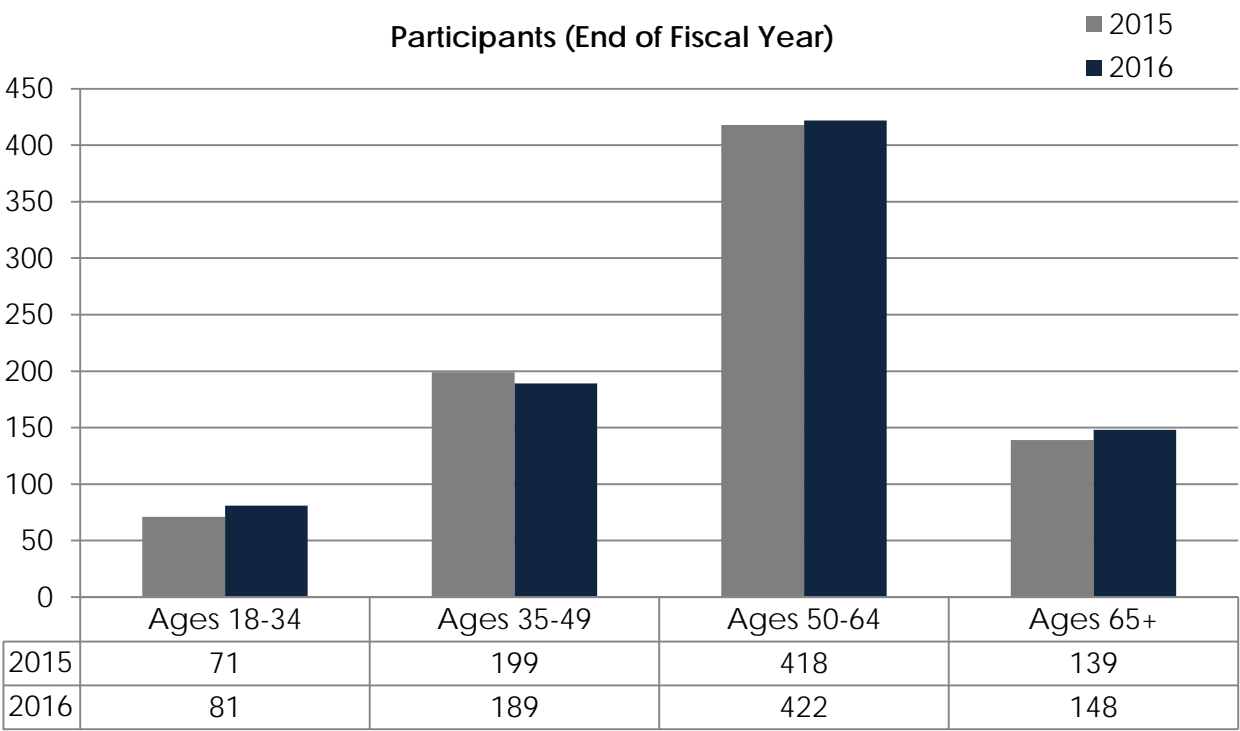
Note: Total does not include Self-Directed Brokerage Account

Plan Assets / Demographics

Growth of Plan Assets



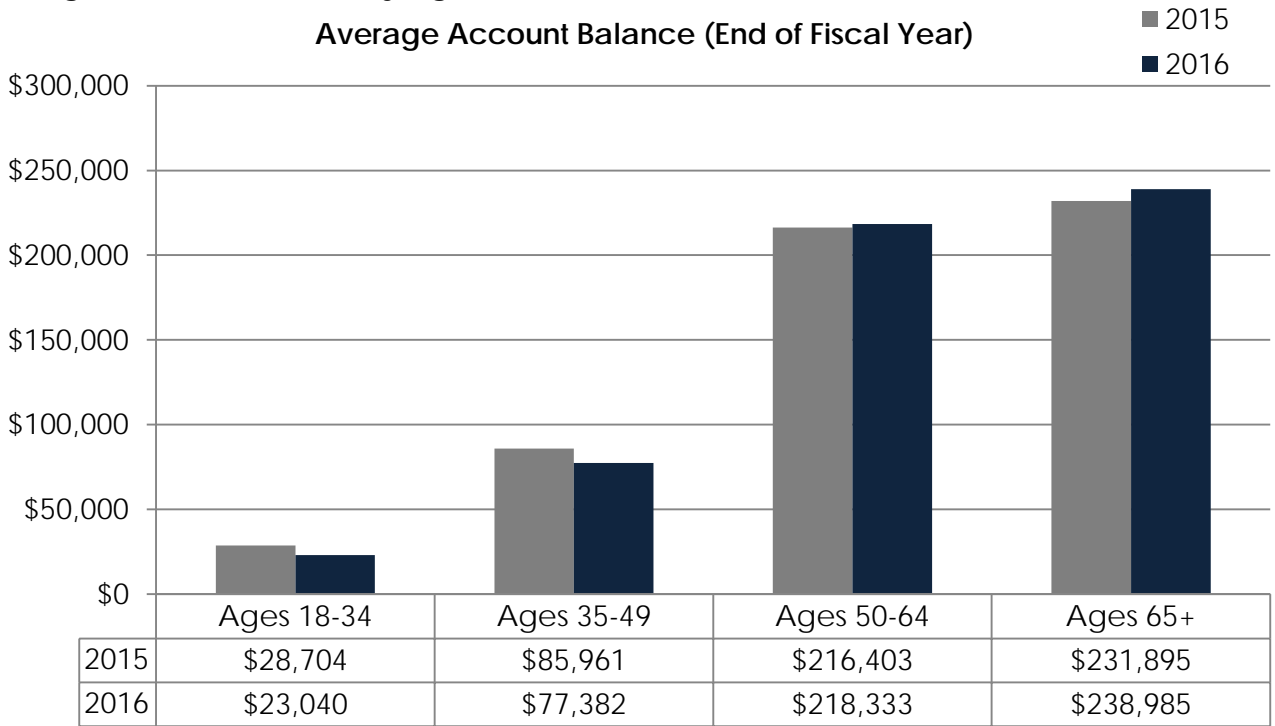
Plan Participants by Age



Plan Assets / Demographics

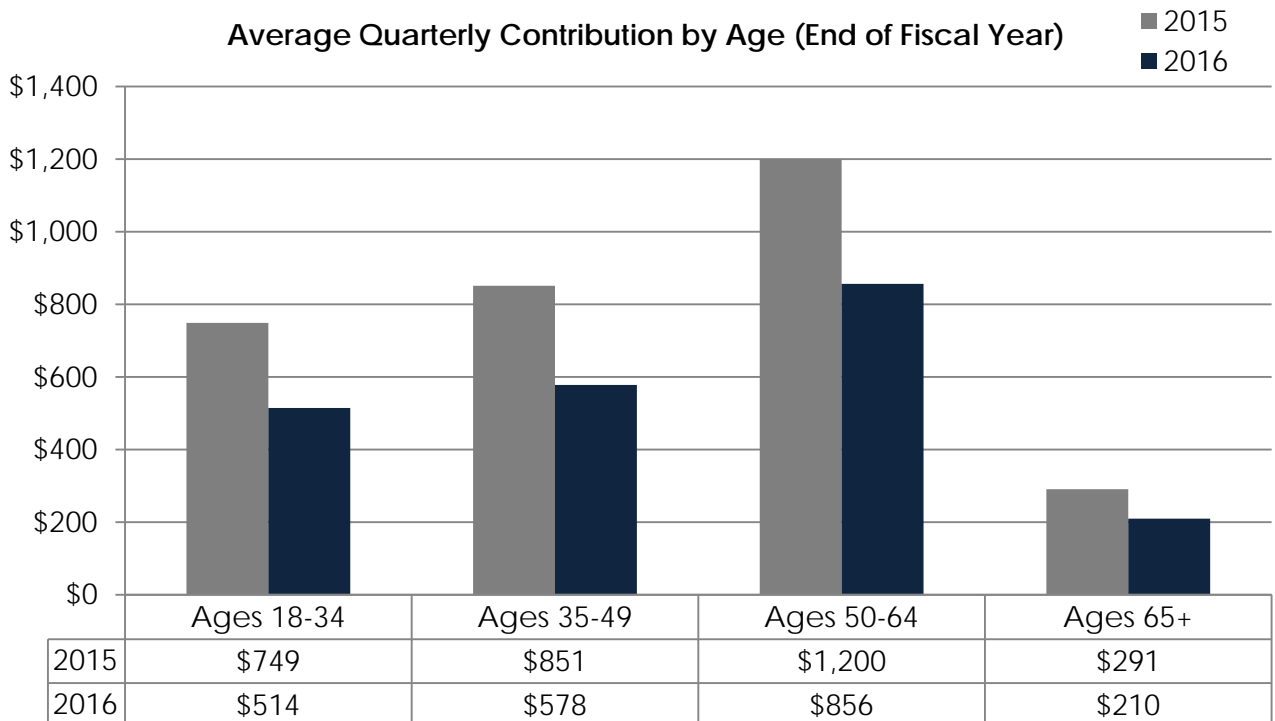
Average Account Balance by Age

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 2016

QUARTER ENDING	2016				YTD
	March 31st	June 30th	September 30th	December 31st	Jan 1st - Dec 31st
Cash Flow					
Beginning Market Value	\$141,648,369	\$140,877,345			\$141,648,369
Employee Deferrals	\$1,699,473	\$2,039,812			\$3,739,285
Withdrawals	-\$1,413,486	-\$1,128,253			-\$2,541,739
Net Loan Activity	\$77,219	\$36,339			\$113,558
Fees	-\$1,582	-\$1,739			-\$3,321
TOTAL DISBURSEMENTS	-\$1,337,850	-\$1,093,653			-\$2,431,503
NET CASH FLOW	\$361,623	\$946,159			\$1,307,782
Change in Value	-\$1,132,647	\$2,143,312			\$1,010,665
Ending Market Value	\$140,877,345	\$143,966,816			\$143,966,816

Annual Net Cash Flow - 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	\$141,789,899	\$136,417,035	\$135,494,973
Employee Deferrals	\$1,843,647	\$2,362,968	\$1,241,316	\$1,420,417	\$6,868,348
Withdrawals	-\$1,002,878	-\$1,443,372	-\$1,228,703	-\$712,389	-\$4,387,342
Net Loan Activity	\$11,164	\$176,704	-\$32,119	-\$67,233	\$88,517
Fees	-\$1,577	-\$1,364	-\$1,734	-\$1,903	-\$6,577
TOTAL DISBURSEMENTS	-\$993,291	-\$1,268,032	-\$1,262,555	-\$781,525	-\$4,305,402
NET CASH FLOW	\$850,356	\$1,094,936	-\$21,239	\$638,893	\$2,562,946
Change in Value	\$3,415,560	\$934,073	-\$5,351,626	\$4,592,442	\$3,590,449
Ending Market Value	\$139,760,890	\$141,789,899	\$136,417,035	\$141,648,369	\$141,648,369

SECTION IV

PLAN PERFORMANCE

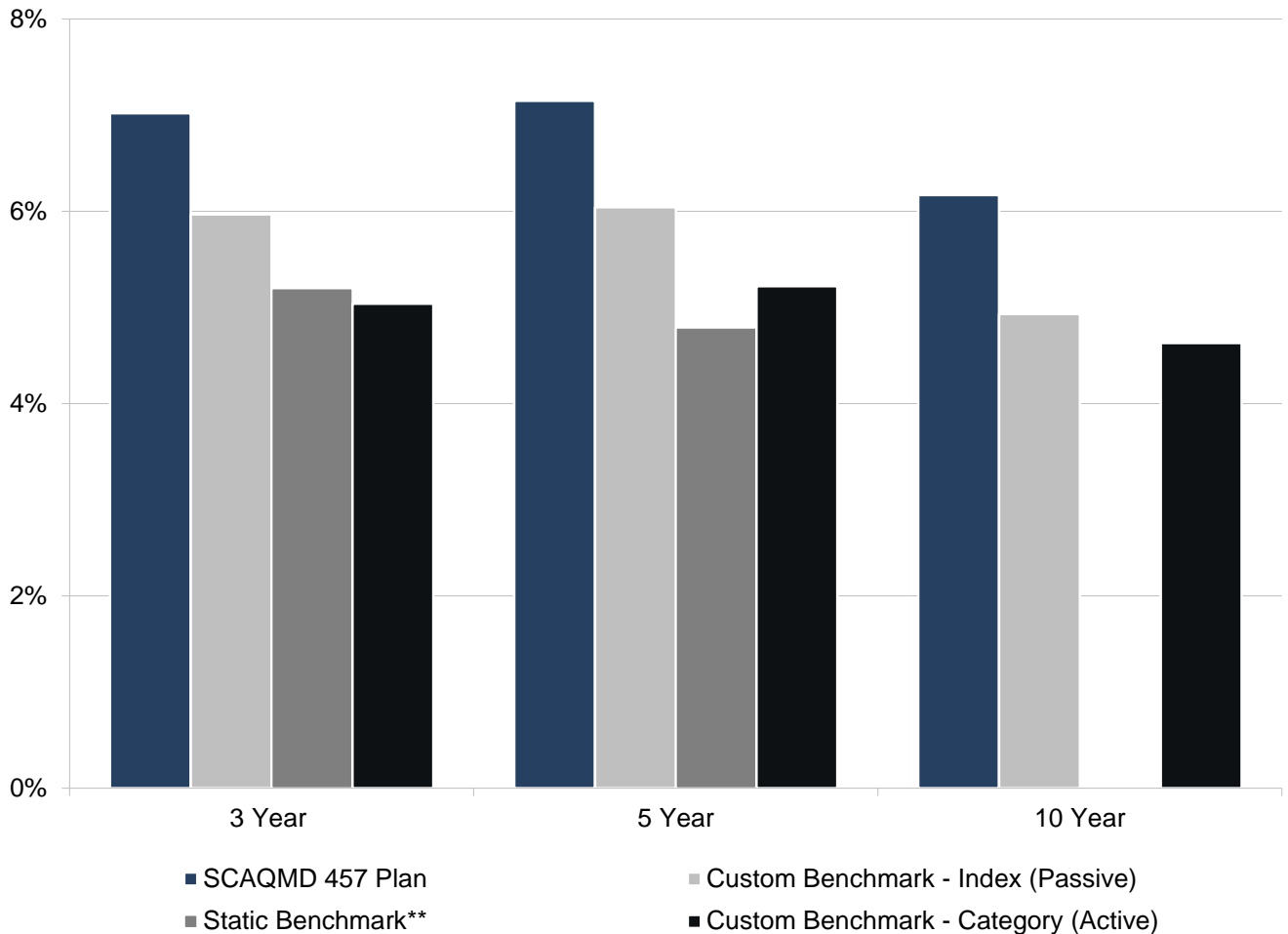
Weighted Portfolio Return versus Custom Benchmark

Performance as of June 30, 2016	3 Month	1 Year	Annualized Returns			3 YR	3 YR	Expense
			3 Year	5 Year	10 Year	Std Dev	Sharpe	Ratio*
SCAQMD 457 Plan	1.52%	1.32%	7.02%	7.15%	6.17%	5.65	1.22	0.71
Custom Benchmark - Index (Passive)	1.44%	1.93%	5.97%	6.04%	4.93%	N/A	N/A	N/A
Static Benchmark**	2.05%	2.50%	5.20%	4.79%	N/A	N/A	N/A	N/A
Custom Benchmark - Category (Active)	1.17%	-0.23%	5.04%	5.22%	4.63%	5.34	0.93	0.87

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

**Static Benchmark is comprised of 60% in Vanguard Total Bond Index and 40% in Vanguard Total World Stock Index.

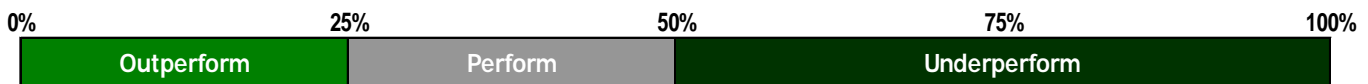
Annualized Returns



Individual Fund Ranking

(Per Investment Policy Statement Evaluation Criteria)

Investment Name	Quarterly Ranking			
	2Q16	1Q16	4Q15	3Q15
Intermediate-Term Bond				
Metropolitan West Total Return Bond I	0	0	0	0
Moderate Allocation				
Invesco Equity and Income A	50	46	36	28
Large Value				
Hartford Dividend & Growth HLS IA	2	2	1	3
Large Blend				
Hartford Capital Appreciation HLS IA	57	54	43	36
Large Growth				
Neuberger Berman Socially Rspns Tr	74	73	72	63
T. Rowe Price Blue Chip Growth	3	1	0	1
Mid Value				
Vanguard Selected Value Inv	28	11	11	15
Mid Growth				
Hartford MidCap HLS IA	5	5	3	3
Small Value				
AllianzGI NFJ Small Cap Value Admin	58	51	48	51
Small Growth				
Hartford Small Company HLS IA	67	61	40	34
Foreign Large Equity				
Hartford International Opp HLS IA	0	1	1	1
Foreign Small/Mid Equity				
MFS® International New Discovery A	34	46	47	42
Healthcare				
Hartford Global Health HLS IA	18	15	14	18
Real Estate				
Invesco Real Estate R5	44	42	43	38
Utilities				
MFS Utilities A	63	55	50	47
Average Rank	33	31	32	29
Plan Weighted Rank (Reweighted)	27	24	21	19



SECTION V

APPENDIX

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

September 2, 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
Mr. Robert Trenerry - MassMutual

Call to Order: The regular meeting of the Deferred Compensation Plan Committee was called to order by Mr. Johnson on September 2, 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 June 10, 2015 were reviewed and unanimously approved by the Committee as written.

Investment Agenda

2. 457 Plan Quarterly Investment Review – 2nd Quarter 2015

The Committee received and filed the 457 Plan Quarterly Investment Review (“Report”) dated June 30, 2015 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 2nd 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 as well as the rankings of each fund in accordance with the Evaluation Methodology detailed in the Investment Policy Statement. Mr. Stewart provided the following qualitative information on the funds requiring discussion:

American Century Capital Preservation: Due to low participation, the Committee will consider eliminating the asset class at the next meeting.

Neuberger Berman Socially Responsive: The fund has underperformed in the short term due to its opportunistic approach. Although Morningstar categorizes the fund as Large Cap Growth, management benchmarks itself against the S&P 500. With the recent outperformance of growth vs. value stocks, the fund’s strategy of purchasing stocks trading at a discount due to market volatility has led to an overweight in energy, materials, and industrials and underperformance. The fund continues to invest only in stocks meeting its social screen and ideology.

Artisan Mid Cap Value: The fund is currently on the Watch List due to underperformance. The fund outperformed the passive benchmark but underperformed the active benchmark during the quarter. Management utilizes a deep value strategy which favors companies trading cheaply relative to long-term averages. The strategy has led to an overweight in energy, materials, and industrials which have detracted from performance. The Committee agreed to keep the fund on the Watch List and will evaluate potential alternatives at the next meeting.

Invesco Real Estate: The fund has performed well on a relative basis, but absolute performance has been poor. During the quarter, rising interest rates caused investors to sell dividend-heavy investments. The Committee fears that investors may not understand that real estate mutual fund performance does not correspond to rising residential prices. The Committee voted 2 to 1 in favor of placing the fund on the

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

Watch List and adding its potential removal to the next agenda. (Mr. Wiese and Mr. Johnson in favor while Mr. Richards opposed)

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 June 30, 2015. Model net expense ratios range from 67 basis points to 77 basis points, well below the custom benchmarks.

As weighted on June 30, 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 89 bps.

The Committee reviewed the revenue received by MassMutual based on Plan Assets and demographics as of June 30, 2015. MassMutual is receiving approximately \$165 per participant, which is slightly above the market segment. The current contract is set to expire in November 2016.

Administrative Agenda

3. 401(a) Plan Proposal

The Committee agreed to table to topic to a future meeting.

4. Quarterly Plan Review

The Committee received and filed the MassMutual Retirement Plan Review for the period ending June 30, 2015. Assets increased by approximately \$2 million to \$142 million. Cash flow contributed to approximately \$1 million of the overall gain. The number of participants increased by 17 to 827. While the percentage of participants with a loan is low, the average loan balance is high. This is likely due to the high average account balance. Total participants utilizing the Asset Allocation models increased significantly to 69.

5. Quarterly Reimbursement Calculation

The Committee received and filed the quarterly reimbursement calculation provided by MassMutual.

6. Discussion on Possible Extension of MassMutual Contract

The current contract is scheduled to expire in November of 2016. However, the deadline to extend contract on Hartford paper is December 31, 2015. Extension of the contract would delay the conversion to the MassMutual platform which will require a blackout period, new website, and new reporting systems. Mr. Trenerry provided a proposal that would extend the contract through 2021 with a revenue requirement of 6 bps on all Plan Assets. The Committee estimated the savings to be approximately \$50,000 per year. However, the Guaranteed Crediting Rate on the Declared Account would slowly decline down to a rate of 2% in 2021.

The Committee discussed other considerations with the contract including the differences between the MassMutual and Hartford general account product, potential contract termination clauses, and the idea of moving to a pure institutional fund lineup with an administrative fee overlay. The Committee agreed to have BFSG work with MassMutual to provide further detail.

7. Annual Board Report

The Committee reviewed the Board Report drafted by BFSG. The report is intended to provide the Governing Board with details about the actions taken by the Committee during the Plan Year. BFSG also provided a recommended update to the Committee Charter which would provide clarification to the Committee that the Plan should bare all costs allowed by law related to its operation. The Committee agreed to take both items to the Governing Board meeting in November.

8. Other Business

Mr. Johnson asked the Committee members for any other business and received no reply.

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

9. 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 4:05 pm.

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

December 9, 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 Trenerry - MassMutual

Call to Order: The regular meeting of the Deferred Compensation Plan Committee was called to order by Mr. Johnson on December 9, 2015 at 2:00 pm in Conference Room CC-5. It was noted a quorum was present.

Approval of Prior Meeting Minutes

The minutes from the meeting held on September 2, 2015 were reviewed and approved by the Committee as written. Mr. O’Kelly abstained due to absence at the previous meeting.

Investment Agenda

457 Plan Quarterly Investment Review – 3rd Quarter 2015

The Committee received and filed the 457 Plan Quarterly Investment Review (“Report”) dated September 30, 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 3rd 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 as well as the rankings of each fund in accordance with the Evaluation Methodology detailed in the Investment Policy Statement. Mr. Stewart provided the following qualitative information on the funds requiring discussion:

American Century Capital Preservation: The Committee was provided with an overview of the money market fund regulation changes proposed by the Securities Exchange Commission that are scheduled to become effective in October 2016. Money market funds that have credit risk (less than 99.5% of the portfolio invested in government securities) will be subject to redemption fees. Government money market mutual funds are exempt from this ruling. It was noted that American Century Capital Preservation will meet the standards of a government money market fund by the effective date of the new rules. BFSG prepared an analysis of possible alternatives which will be reviewed later in the meeting.

Neuberger Berman Socially Responsive outperformed its custom active benchmark on a 3-year basis, but underperformed it across all other measured time periods noted in the Report. It was noted that the fund’s lead manager since 2001, Arthur Moretti, will retire in February 2016. Management maintains a fairly concentrated portfolio of 30 to 40 stocks and tends to avoid stocks that earn significant revenue from alcohols, tobacco, weapons, nuclear power, or gambling. They favor firms with good community, environmental, and workplace records. After discussion, the Committee agreed to place the fund on the Watch List due to continued underperformance and the upcoming change in management. BFSG will bring an analysis of alternative socially responsive funds for review at the next meeting.

Artisan Mid Cap Value has been on the Plan’s Watch List since March 2015 due to underperformance. As of September 30, 2015 the fund outperformed its custom active benchmark on a 10-year basis, but underperformed its custom active and passive benchmarks across all other measured times periods noted in the Report. An overweight to industrials, materials, and energy detracted from performance. After discussion, the Committee agreed to keep the fund on the Watch List. BFSG prepared an analysis of possible alternatives in the mid-cap value category which will be reviewed later in the meeting.

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

Invesco Real Estate is currently on the Plan's Watch List due to underperformance. The fund slightly underperformed its custom active benchmark on a 1-, 3-, and 5-year basis, but performed well during the quarter and on a 10-year basis. BFSG prepared an analysis of the real estate asset class to be reviewed later in the meeting.

The Committee reviewed the performance of the Asset Allocation Models noting each model has exceeded its custom benchmark across all measured time periods noted in the Report. Model net expense ratios range from 67 basis points to 77 basis points, well below the custom benchmarks.

Based on participant allocations as of the end of the reporting period, the Plan slightly underperformed its custom passive benchmark for the quarter ending September 30, 2015, but outperformed its custom active and passive benchmarks across all other measured time periods noted in the Report. The Plan-weighted expense ratio of 72 bps is below the custom category average of 89 bps.

The Committee reviewed the revenue received by MassMutual based on Plan Assets and demographics as of September 30, 2015. MassMutual is receiving approximately \$152 per participant, which is slightly above the market segment. The current contract is set to expire in November 2016.

Fund Search Analysis

A Fund Search Analysis (the "Analysis") to consider alternative investment options in the money market, mid-cap value, and real estate categories was distributed and reviewed. Each investment option was reviewed in accordance with the Plan's Investment Policy Statement (the "IPS") criteria, which includes performance, risk-adjusted performance, style consistency, and expense, as well as qualitative criteria.

Money Market: The Committee reviewed a comparison of American Century Capital Preservation and Hartford General Account. After discussion, the Committee voted unanimously to remove the current money market fund and map all assets to Hartford General Account.

Mid-Cap Value: The Committee reviewed an analysis of available alternatives in the mid-cap value category. The Committee voted unanimously to replace Artisan Mid Value with Vanguard Selected Value. Vanguard Selected Value was selected due to its strong historical performance relative to its peers, risk-adjusted performance, and its low expense ratio.

Real Estate: Mr. Stewart reviewed an analysis of Invesco Real Estate including its correlation, volatility, and performance. The Committee voted 3 to 1 in favor of keeping the fund on the Watch List and discussing again its potential removal at the next meeting. (Mr. Wiese, Mr. Johnson, and Mr. O'Kelly in favor while Mr. Richards opposed).

Comparison of Fund Costs in SCAQMD Plan to Average Costs

BFSG presented the Investment Fee Analysis (the "Analysis") to the Committee. The purpose of the Analysis was to examine whether fees paid by participants for the Plan's current investment options are favorable. After review and discussion, it was concluded that the Plan's investments are competitively priced as compared to its peers.

Discussion on Possible Extension of MassMutual Contract

The Committee reviewed the Contract Extension Considerations analysis (the "Analysis") prepared by BFSG. The Analysis presented a side-by-side comparison of the proposed options on the contract extension by MassMutual. If time permits, the Committee asked BFSG to perform a blind Request for Information (the "RFI") for fee benchmarking purposes. If the RFI is conducted, the Committee will hold an interim meeting to discuss the details of the RFI and to make a decision on the contract extension.

Additions to the Agenda

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

BFSG will bring a fund search of available alternatives in the mid-cap blend and small-cap blend categories for review at the next meeting.

The Committee agreed to add potential removal of Hartford Healthcare and MFS Utilities to the next agenda.

Administrative Agenda

401(a) Plan Proposal

The Committee agreed to table to topic to a future meeting.

Calendar Year 2016 Committee Meeting Dates

The Committee presented the 2016 schedule for the Deferred Compensation Plan Committee. Meetings will be held at 2:00 on March 2nd, June 8th, September 14th, and December 7th in Conference Room CC-3/5. The 2016 meeting dates were accepted as presented.

Quarterly Plan Review

The Committee received and filed the MassMutual Retirement Plan Review for the period ending September 30, 2015. Mr. Trenerry reviewed plan statistics and demographics. Plan assets totaled approximately \$136 million and contributions totaled approximately \$1.2 million for the quarter. The average account balance remains high with 828 total participants with a balance. 74 participants are utilizing the asset allocation models as of the end of the reporting period.

Quarterly Reimbursement Calculation – Distribution and Administrative Revenue/Experience

The Committee received and filed the quarterly reimbursement calculation provided by MassMutual.

Other Business

Mr. Johnson asked the Committee members for any other business and received no reply.

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 5:20 pm.

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

December 18, 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”)
Mr. Robert Trenerry - MassMutual

Call to Order: The special meeting of the Deferred Compensation Plan Committee was called to order by Mr. Johnson on December 18, 2015 at 2:15 pm in Conference Room CC-5. It was noted a quorum was present.

Fiduciary Agenda

BFSG Request for Information Results and Continue Discussion on Possible Extension of MassMutual Contract

Mr. Stewart reviewed the data compiled from the blind RFI conducted by BFSG. Three vendors responded with an average fee of 0.05% annually, slightly lower than the fee proposed by MassMutual of 0.06%. Capital preservation crediting rates for all three companies were significantly lower than those proposed by MassMutual. MassMutual’s capital preservation liquidity provision was also very competitive compared to the other three vendors. The benefit of signing the contract extension prior to the end of the year would be to secure the terms offered in the proposal including the strong crediting rates, maintain the 12-month put liquidity provision for the capital preservation option through 2021, and to reduce a short-term administrative interruption.

The Committee discussed the wording of the contract emphasizing the difference between a “Guaranteed Minimum Rate” and the “Crediting Rate”. The Committee assumed the difference would only have an effect in the event of a bankruptcy by MassMutual.

The Committee agreed to recommend extending the contract to the Executive Officer provided that MassMutual could provide a satisfactory explanation of the different crediting rate terms, and provide evidence that the capital preservation option is backed by the claims paying ability of MassMutual.

Other Business

Mr. Johnson asked the Committee members for any other business and received no reply.

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 4:00 pm.

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

March 2, 2016

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. John Campbell - Benefit Financial Services Group (“BFSG”)
Mr. Darren Stewart - 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 March 2, at 2:15 pm in Conference Room CC-5. It was noted a quorum was present.

Approval of Prior Meeting Minutes

The minutes from the meetings held on December 9 and December 18, 2015 were reviewed and approved by the Committee with one correction.

Investment Agenda

457 Plan Quarterly Investment Review – 4th Quarter 2015

The Committee received and filed the 457 Plan Quarterly Investment Review (“Report”) dated December 31, 2015 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 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 as well as the rankings of each fund in accordance with the Evaluation Methodology detailed in the Investment Policy Statement. Mr. Campbell provided the following qualitative information on the funds requiring discussion:

American Century Capital Preservation will be removed from the Plan in May 2016. All assets will be mapped to the Hartford General Account.

Neuberger Berman Socially Responsive is currently on the Watch List due to underperformance and the upcoming manager change. The fund underperformed its custom active and passive benchmarks across all measured time periods noted in the Report. The fund has a concentrated portfolio of approximately 40 stocks, and tends to perform in declining markets, as measured by its down-capture ratio. The lead manager retired in February 2016, and the fund is now run by three co-managers. BFSG prepared an analysis of available alternatives in the socially responsible category to be reviewed later in the meeting.

Artisan Mid Cap Value will be replaced with Vanguard Selected Value in May 2016.

Invesco Real Estate, which is currently on the Plan’s Watch List due to performance-related issues, underperformed its custom active and passive benchmarks for the quarter and on a 1-, 3-, and 5-year basis. The managers avoid real estate finance firms and mortgage REITs, and look for companies with strong management teams and solid balance sheets. The fund tends to outperform in rising markets. Long-term performance is above average. After discussion, the Committee agreed to keep the fund on the Watch. BFSG prepared an analysis of the real estate asset class to be reviewed later in the meeting.

The Committee reviewed the performance of the Asset Allocation Models noting each model has exceeded its custom benchmark across all measured time periods noted in the Report. Model net expense ratios range from 67 basis points to 77 basis points, well below the custom benchmarks.

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Based on participant allocations as of the end of the reporting period, the Plan outperformed its custom active and passive benchmarks across all measured time periods noted in the Report. The Plan-weighted expense ratio of 72 bps is below the custom category average of 87 bps.

The Committee reviewed the revenue received by MassMutual based on Plan Assets and demographics as of December 31, 2015. MassMutual is receiving approximately \$162 per participant, which is slightly above the market segment. The current contract with MassMutual has been extended through December 31, 2021. Per the new agreement, the required by MassMutual revenue for recordkeeping services will be reduced from 24 basis points on variable assets to 6 basis points on all assets effective January 1, 2016.

Retirement Plan Litigation Update - As part of its process to stay abreast of industry updates, the Committee discussed recent retirement plan industry litigation. BFSG provided a summary of recent cases, including *Tibble vs. Edison*, *Tussey vs. ABB*, *Spano vs. Boeing*, *Bell vs. Anthem*, and others.

Fund Search Analysis

A Fund Search Analysis (the "Analysis") to consider alternative investment options in the socially responsible, mid-cap blend, small-cap blend, real estate, utilities, and healthcare categories was distributed to the Committee.

Socially Responsible: The Committee reviewed an analysis of available alternatives in the socially responsible category. Each investment option was reviewed in accordance with the Plan's Investment Policy Statement criteria, which included performance, risk-adjusted performance, style consistency, and expense, as well as qualitative criteria. After discussion, the Committee agreed to keep Neuberger Berman Socially Responsible in the Plan. The fund shall remain on the Watch List. Mr. Stewart noted that a cheaper share class of this fund is available and will be reviewed during the Share Class Analysis discussion.

The Committee will review the remaining categories at a future meeting.

Administrative Agenda

Quarterly Plan Review

The Committee received and filed the MassMutual Retirement Plan Review for the 3-month period ending December 31, 2015. During the quarter, there was a positive cash flow of approximately \$706,000, largely due to significant employee contributions. Contributions totaled approximately \$1.4 million for the quarter and Plan assets increased to over \$141 million. Approximately 25% of participants are utilizing a single investment option and more than 41% are invested in the Hartford General Account.

Share Class Analysis – To assist the Committee in fulfilling its fiduciary responsibilities, BFSG prepared and distributed a Share Class Analysis (the "Analysis") for review and consideration. The Analysis demonstrated efficient ways to reduce the expense ratios of certain funds in the Plan such that the participants would benefit from the lower costs. Mr. Stewart advised that using lower expense ratio funds would also result in less revenue sharing, and consequently, less monies being credited to the Plan's Expense Reimbursement Account. After discussion, the Committee agreed to move forward with the proposed share class changes. MassMutual will facilitate the following changes as soon as administratively possible:

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Mapping From (Current Option):		Mapping To:
T. Rowe Price Blue Chip Growth	➡	T. Rowe Price Blue Chip Growth I
Metropolitan West Total Return Bond I	➡	Metropolitan West Total Return Bond Plan
AllianzGI NFJ Small-Cap Value Admin	➡	AllianzGI NFJ Small-Cap Value R6
SSgA Dow Jones Target 2045(SM) Sec Lend Inv Opt A	➡	SSgA Dow Jones Target 2045(SM) Sec Lend Inv Opt I
SSgA Dow Jones Target 2035(SM) Sec Lend Inv Opt A	➡	SSgA Dow Jones Target 2035(SM) Sec Lend Inv Opt I
SSgA Dow Jones Target 2025(SM) Sec Lend Inv Opt A	➡	SSgA Dow Jones Target 2025(SM) Sec Lend Inv Opt I
Neuberger Berman Socially Rspns Tr	➡	Neuberger Berman Socially Rspns R6
SSgA Dow Jones Target 2015(SM) Sec Lend Inv Opt A	➡	SSgA Dow Jones Target 2015(SM) Sec Lend Inv Opt I
SSgA Dow Jones Target Today A	➡	SSgA Dow Jones Target Today I

Asset Class Analysis – The topic was tabled to the next meeting.

Quarterly Reimbursement Calculation – Distribution and Administrative Revenue/Experience
The Committee received and filed the quarterly reimbursement calculation provided by MassMutual.

Other Business

Mr. Johnson asked the Committee members for any other business and received no reply.

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 4:40 pm.

SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
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MEETING MINUTES

June 8, 2016

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 Financial Services Group (“BFSG”)
Ms. Aksana Munoz – BFSG
Mr. Robert Trenerry – MassMutual
Mr. Dario Gomez – MassMutual

Call to Order: The regular meeting of the Deferred Compensation Plan Committee was called to order by Mr. Johnson on June 8, 2016 at 2:05 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 2, 2016 were reviewed and unanimously approved by the Committee as written.

Investment Agenda

2. 457 Plan Quarterly Investment Review – 1st Quarter 2016

The Committee reviewed the 457 Plan Quarterly Investment Review (the “Report”) for the quarter ending March 31, 2016. Mr. Stewart provided the Committee with a brief overview of current economic and market conditions including GDP, unemployment, inflation, interest rates, and market returns. A copy of the Report is filed with these minutes. 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:

Neuberger Berman Socially Responsive is currently on the Watch List due to underperformance and the recent manager change. The fund outperformed its active benchmark for the quarter and on a one-year basis largely due to its underweight to healthcare and overweight to utilities and industrials. An overweight to energy detracted from short-term performance. After discussion, the Committee unanimously agreed to keep the fund on the Watch List.

AllianzGI NFJ Small-Cap Value: The fund underperformed its active and passive benchmarks on a one-, 3- and 5-year basis largely due to an overweight to materials and energy. Management invests with a deep value tilt, which contributed to the fund’s underperformance last year. After discussion, the Committee unanimously agreed to place the fund on the Watch List due to underperformance.

Hartford Small Company underperformed its active and passive benchmarks across all measured time periods noted in the Report. The short-term underperformance was largely due to an overweight to healthcare and technology, in addition to poor stock selection within these sectors. After discussion, the Committee unanimously agreed to place the fund on the Watch List due to performance-related issues.

Invesco Real Estate is currently on the Plan’s Watch List due to performance-related issues. The fund slightly underperformed its active benchmark on a 3- and 5-year basis, but outperformed across all other measured time periods noted in the Report. Management avoids REIT with large amounts of leverage and tends to underperform during rising markets. After discussion, the Committee agreed to keep the fund on the Watch. BFSG prepared an analysis of the real estate asset class for review later in the meeting.

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The Committee reviewed the performance of the Asset Allocation Models, and noted the Models predominantly outperformed their respective benchmarks across all measured time periods noted in the Report. The Models' net expense ratios range from 67 basis points to 77 basis points, well below the custom benchmarks.

Based on participant allocations as of the end of the reporting period, the Plan slightly underperformed its custom active benchmark for the quarter, but outperformed across all other measured time periods noted in the Report. The Plan-weighted expense ratio of 72 bps is below the custom category average of 87 bps.

Assets in the Plan totaled approximately \$140.5 million (excluding loan and self-directed brokerage balances) as of the end of the reporting period, representing 836 participant accounts with a balance.

The Committee reviewed the revenue received by MassMutual. Mr. Stewart noted that required revenue to MassMutual for recordkeeping services was reduced effective January 1, 2016 from 24 basis points on variable assets to 6 basis points on all assets (the per participant equivalent is approximately \$101 based on assets as of March 31, 2016). The Committee will continue to monitoring the fees on an on-going basis.

Administrative Agenda

3. Quarterly Plan Review

The Committee reviewed the MassMutual Retirement Plan Review for the 3-month period ending March 31, 2016. Mr. Trenerry provided a review of Plan demographic data including cash flow, contributions, withdrawals and loans. During the quarter, withdrawals totaled approximately \$1.4 million, while contributions totaled approximately \$1.7 million. Participation in the Asset Allocation Models increased 10% during this 3-month period.

4. Fund Changes Update

Mr. Trenerry informed the Committee that the previously agreed upon removal of American Century Capital Preservation and Artisan Mid Value were completed on May 27. Artisan Mid Value was replaced by Vanguard Selected Value.

5. Fund Search Analysis

The Committee reviewed a Fund Search Analysis prepared by BFSG that examined potential actively-managed small- and mid-cap blend funds. The Committee discussed the option to consolidate funds in the small- and mid-cap value and growth asset classes in order to simplify the fund line-up, but no motion was made.

6. Asset Class Analysis

The Committee reviewed an analysis of the Invesco Real Estate, MFS Utilities, and Hartford Healthcare funds. Areas reviewed included the funds' utilization, correlation, volatility and performance. After discussion, the Committee concluded they would like to see more data on the participant utilization of these funds. BFSG will work with MassMutual to put together an analysis for review at the next meeting that will provide insight on participant asset allocation amongst funds offered in the Plan.

7. Quarterly Reimbursement Calculation

The Committee received and filed the quarterly reimbursement calculation provided by MassMutual.

Other Business

Mr. Trenerry introduced Mr. Gomez from MassMutual as the new Relationship Manager for the Plan as Mr. Trenerry will be retiring in July.

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Prior to the next meeting, BFSG will provide the Committee with the Annual Board Report for the most recent plan year.

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 4:30 pm.