

BOARD MEETING DATE: December 3, 2021

AGENDA NO. 18

PROPOSAL: Receive and File Annual Report on South Coast AQMD's Deferred Compensation Plans

SYNOPSIS: South Coast AQMD sponsors IRS-approved 457(b), 401(a) and OBRA Deferred Compensation Plans for its employees. The Annual Report for Plan Year Ending June 2021 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. This action is to receive and file the Annual Report.

COMMITTEE: Administrative, November 12, 2021; Recommended for Approval

RECOMMENDED ACTION:

Receive and file Deferred Compensation Plan Annual Report for Plan Year Ending June 2021.

Wayne Nastri
Executive Officer

AJO:mm

Background

South Coast AQMD sponsors and administers 457(b), 401(a) and Omnibus Budget Reconciliation Act of 1990 (OBRA) Deferred Compensation Plans for its employees. The Deferred Compensation Plans, which include the 457(b), 401(a) and OBRA plans, are administered by Empower Retirement, LLC (Empower), one of the largest workplace retirement savings plan providers in the United States. State law governs the fiduciary requirements for the operation and investment of 457 plans sponsored by governmental entities. South Coast AQMD's Governing 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 has established a Deferred Compensation Plan Committee (“Committee”) to oversee the administration of the Plans. On May 2, 2008, the Board approved the Deferred Compensation Plan Committee Charter, formalizing the fiduciary duties and responsibilities of the Committee. The four members of the Deferred Compensation Plan Committee are the Chief Financial Officer, the Deputy Executive Officer/Administrative and Human Resources, the Human Resources Manager over employee benefits, and the General Counsel.

In October 2021, as the result of an RFP process, the Board approved a 5-year contract with Empower for record-keeping and administrative services, beginning January 1, 2022. In addition to the retirement plan administrator, South Coast AQMD utilizes the services of an independent, third-party consulting firm, Benefit Financial Services Group (BFSG), to provide services to the Plans as a fiduciary under a Registered Investment Advisor agreement.

Summary of Report

The Committee meets on a quarterly basis to review the Plan design, investment options, asset allocation, and demographics, and to make changes as necessary. During the 2020-21 fiscal year period, the Committee placed two funds on the Watch List due to short-term underperformance, removed a fund from the Watch List based on improved performance, updated the Target Date Models, accepted a reduction of the recordkeeping fees from 0.06% to 0.04%, and conducted a Request for Proposal process for Plan administrator and recordkeeping services.

As of June 30, 2021, the Plans have:

- 1,034 participants (employees and retirees)
- Approximately \$224 million in assets
- Outperformed the 3-, 5- and 10-year performance benchmarks

The Annual Report provides detailed information regarding Plan Assets/Demographics, Committee Actions, and Plan Performance.

Proposal

Staff recommends the Board receive and file the Deferred Compensation Plan Annual Report to the Board for Plan Year Ending June 2021.

Attachment

Deferred Compensation Plan Annual Report for Plan Year Ending June 2021



Report To The Board

Plan Year Ending: June 2021

Prepared for: South Coast Air
Quality Management District 457
Deferred Compensation & 401(a)
Defined Contribution Plans



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Plan Background

Section 1

South Coast Air Quality Management District Plan

South Coast Air Quality Management District Plan Overview

Plan Name	South Coast Air Quality Management District 457 Deferred Compensation & 401(a) Defined Contribution Plans
Inception Date (457 Plan)	January 1, 1987
Inception Date (401 Plan)	January 1, 2017

Plan Features (457 Plan)

Plan Year End	June 30 th
Entry Date	Immediate
Employee Deferrals	Pre-tax & Roth
Catch-up	Age 50 & Special 457 Catch-up Contributions
Employer Contributions	Yes - determined in accordance with the terms of the employment contract

Default Investment Alternative

Default Fund	T. Rowe Price Retirement Series
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Service Providers

Recordkeeper	Empower
Directed Trustee	Reliance Trust Company
Plan Advisor	Benefit Financial Services Group ("BFSG") since 2007

Committee Oversight

Membership	John Olvera (Chair), Bayron Gilchrist, Sujata Jain, and Raquel Arciniega
Duties	Settlor and Fiduciary
California Government Code 53213.5 Compliance	The Committee intends for the Plan to comply with the provisions of California Government Code 53213.5 providing Plan fiduciaries with relief from liability for the investment decisions made by participants.



Committee Meeting Summary & Plan Updates

Section 2

Fiduciary Updates

Between July 1, 2020, and June 30, 2021, the Committee met six (6) times to review the funds offered in the Plans in accordance with the criteria set forth in the Investment Policy Statement and to discuss other Plan-related topics. Items addressed and adopted by the Committee during the 2020 Plan Year are as follows:

Item	Update
Watch List	Agreed to place Hartford Healthcare on Watch due to short-term underperformance and structural changes in the fund's strategy.
	Agreed to place Goldman Sachs Small Cap Gr Insights on Watch due to short-term underperformance.
	Agreed to remove Vanguard Selected Value from Watch due to improved performance.
Target Date Model Allocation Update	BFSG updated the Target Date Models. The changes were effective October 2020.
Recordkeeping Fee Reduction	Accepted a proposed reduction of the recordkeeping fees for the 457 Plan from 0.06% on Plan assets to 0.04%. This change was effective December 1, 2020.
Fund Changes	Agreed to move to the Institutional share class of the T. Rowe Price Retirement Funds and to add the 2065 vintage. Agreed to replace Hartford Mid Cap with Carillon Eagle Mid Cap Growth and Goldman Sachs Small Cap Growth Insights with Fidelity Advisor Small Cap Growth. These changes were effective February 21, 2021.
Request for Proposal	Agreed to conduct a Request for Proposal ('RFP') to benchmark fees and services of the current service provider, Empower. The RFP was released in February 2021 and responses were due March 2021. After reviewing and discussing the RFP responses, the Committee agreed to recommend to the Executive Officer and/or the Governing Board of South Coast AQMD to award the contract to the current service provider, Empower.

Settlor (Administrative) Updates

Item	Update
Annual Report	Received and filed a copy of the Annual Report for the 2019 Plan Year.



Plan Assets / Demographics

Section 3

Range of Investments

Lower risk/lower potential reward			Higher risk/higher potential reward		
FIXED INCOME		BALANCED	EQUITY		
CAPITAL PRESERVATION	INCOME	HYBRID	VALUE	BLEND	GROWTH
DOMESTIC					
STABLE VALUE	INTERMEDIATE CORE BOND		LARGE VALUE	LARGE BLEND	LARGE GROWTH
Guaranteed Interest Account (457 Plan)	Vanguard Total Bond Market Index Adm		DFA US Large Cap Value I Hartford Dividend and Growth R5	American Funds Fundamental Invs R6 Vanguard FTSE Social Index Admiral Vanguard Institutional Index I	T. Rowe Price Blue Chip Growth I
	INTERMEDIATE CORE-PLUS BOND	ALLOCATION--50% TO 70% EQUITY	MID VALUE	MID BLEND	MID GROWTH
	Metropolitan West Total Return Bd I	American Funds American Balanced R6	Vanguard Selected Value Inv	Vanguard Mid Cap Index Admiral	Carillon Eagle Mid Cap Growth A
			SMALL VALUE	SMALL BLEND	SMALL GROWTH
			American Beacon Small Cap Value R6 Vanguard Small Cap Value Index Admiral	Vanguard Small Cap Index Adm	Fidelity Advisor® Small Cap Growth Z
FOREIGN					
				FOREIGN LARGE EQUITY	
				Hartford International Opportunities R5 Vanguard Developed Markets Index Admiral	
				FOREIGN SMALL/MID EQUITY	
				MFS International New Discovery A	
				DIVERSIFIED EMERGING MKTS	
				Vanguard Emerging Mkts Stock Idx Adm	
SPECIALTY					
			UTILITIES	REAL ESTATE	HEALTH
			Vanguard Utilities Index Adm	Vanguard Real Estate Index Admiral	Hartford Healthcare R5
ALLOCATION					
		TARGET DATE SERIES			
		T. Rowe Price Retirement Series			

Funds listed in Red are scheduled to be removed.
Funds listed in Green are scheduled to be added.
Funds listed in Blue are frozen to contributions.
Funds listed in Purple represent Default Fund.

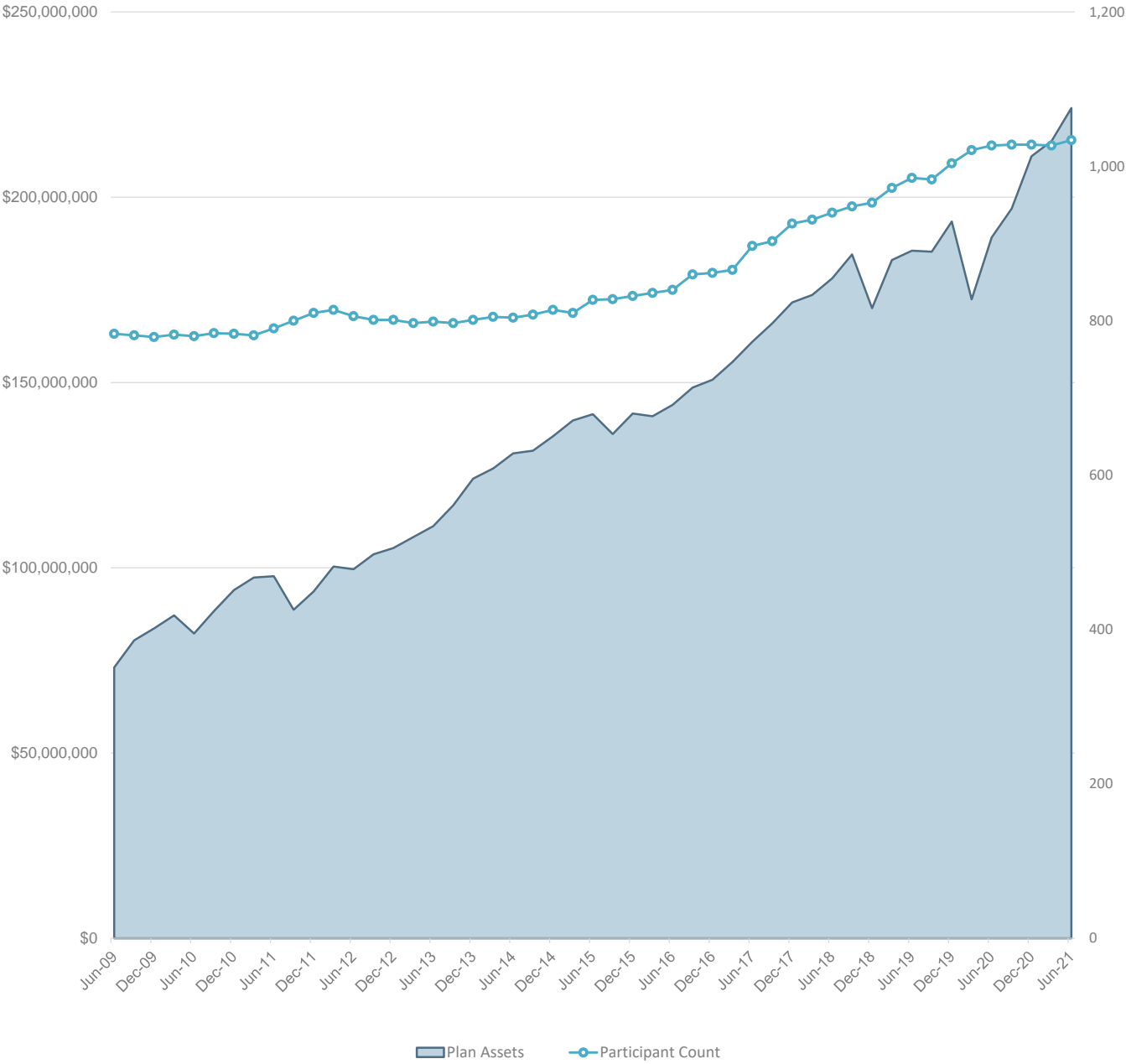
Asset Allocation by Fund

Investment Option	2Q 2021	% of Assets	# of Balances
Guaranteed Interest Account	\$89,667,152	40.13%	653
T. Rowe Price Blue Chip Growth I	\$30,681,934	13.73%	485
American Funds Fundamental Invs R6	\$16,468,693	7.37%	277
Vanguard Institutional Index I	\$12,586,355	5.63%	270
Hartford Dividend and Growth R5	\$8,296,623	3.71%	377
Carillon Eagle Mid Cap Growth A	\$8,295,285	3.71%	363
Hartford International Opportunities R5	\$5,650,898	2.53%	386
T. Rowe Price Retirement 2045	\$4,958,434	2.22%	84
Metropolitan West Total Return Bd I	\$4,686,209	2.10%	268
American Funds American Balanced R6	\$4,558,143	2.04%	121
Hartford Healthcare R5	\$3,614,503	1.62%	103
T. Rowe Price Retirement 2035	\$3,491,783	1.56%	41
Fidelity Advisor® Small Cap Growth Z	\$3,374,181	1.51%	305
Vanguard Mid Cap Index Admiral	\$3,367,383	1.51%	196
Vanguard Total Bond Market Index Adm	\$3,189,138	1.43%	208
Vanguard Selected Value Inv	\$3,182,206	1.42%	310
Vanguard Small Cap Index Adm	\$2,078,840	0.93%	182
American Beacon Small Cap Value R6	\$2,067,348	0.93%	289
MFS International New Discovery A	\$1,992,407	0.89%	158
Vanguard FTSE Social Index Admiral	\$1,551,198	0.69%	68
Vanguard Developed Markets Index Admiral	\$1,408,468	0.63%	139
Vanguard Small Cap Value Index Admiral	\$1,376,639	0.62%	37
Vanguard Utilities Index Adm	\$1,083,093	0.48%	81
T. Rowe Price Retirement 2040	\$886,538	0.40%	13
Vanguard Real Estate Index Admiral	\$817,186	0.37%	59
Vanguard Emerging Mkts Stock Idx Adm	\$696,603	0.31%	92
T. Rowe Price Retirement 2060	\$673,101	0.30%	39
T. Rowe Price Retirement 2025	\$662,498	0.30%	16
T. Rowe Price Retirement 2055	\$612,745	0.27%	22
DFA US Large Cap Value I	\$551,226	0.25%	100
T. Rowe Price Retirement 2050	\$495,234	0.22%	25
T. Rowe Price Retirement 2030	\$209,985	0.09%	7
T. Rowe Price Retirement 2020	\$160,831	0.07%	6
T. Rowe Price Retirement 2015	\$19,037	0.01%	3
T. Rowe Price Retirement 2010	\$10,362	0.00%	3
T. Rowe Price Retirement 2005	\$5,531	0.00%	2
T. Rowe Price Retirement 2065	\$0	0.00%	3
Hartford MidCap Y	\$0	0.00%	0
Goldman Sachs Small Cap Gr Insights Inv	\$0	0.00%	0
Subtotal	\$223,427,787	100.00%	1,034
Self-Directed Brokerage Account	\$631,543		
Total	\$224,059,331		
Total # of Participants	1,034		
Average Account Balance	\$216,692		

Note: Funds listed in **Bold** are included in the Target Date Models.

Note: Personal Choice Retirement Account had 7 balances as of quarter end.

Growth of Plan Assets



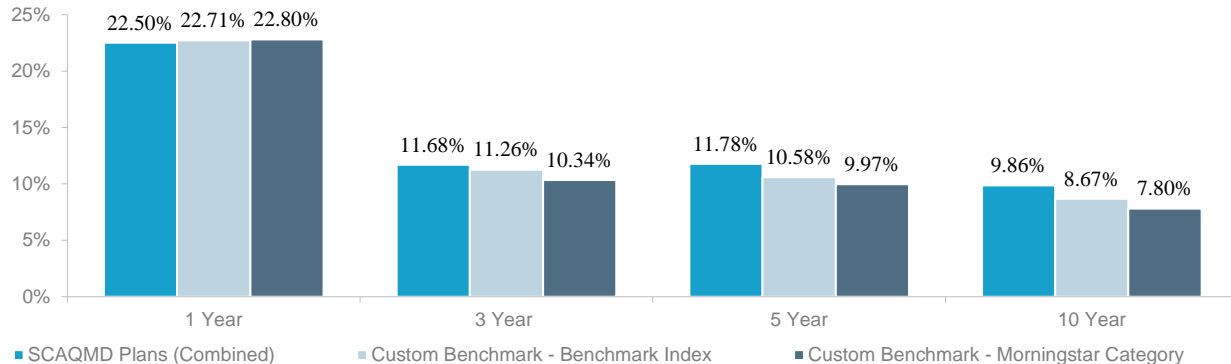


Plan Performance / Cost

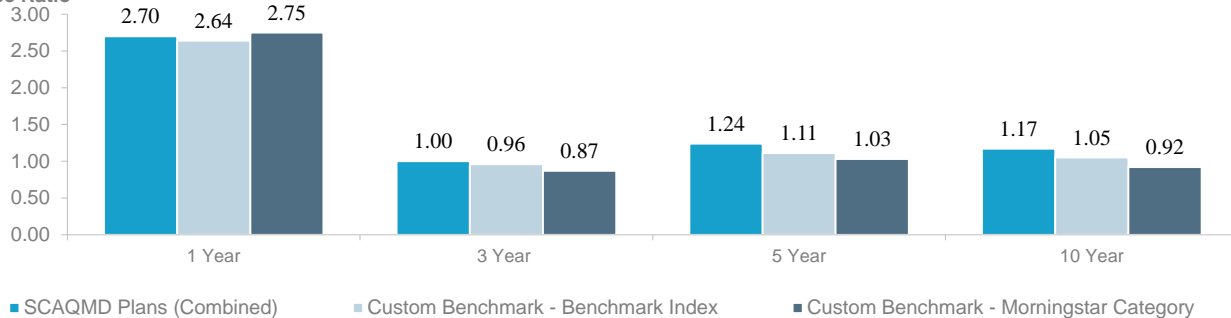
Section 4

Portfolio Return vs. Custom Benchmark

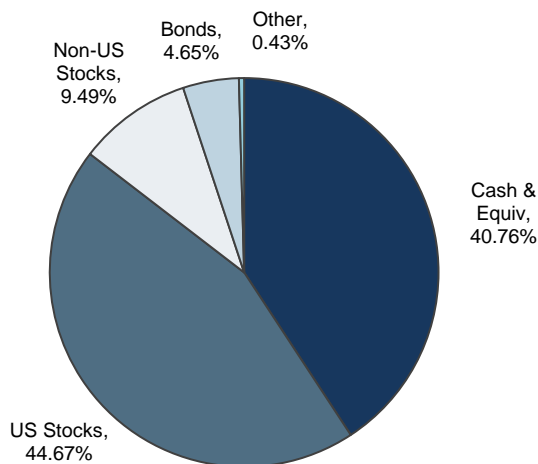
Annualized Returns



Sharpe Ratio



Current Quarter



Benchmark Weightings

Passive Benchmark	Active BM	Weight
BFSG Custom Stable Value	Stable Value	40.13%
BBgBarc US Agg Float Adj TR USD	Intermediate Core Bond	1.43%
BBgBarc US Agg Bond TR USD	Intermediate Core-Plus Bond	2.10%
40% BC Agg - 60% S&P 500	Allocation--50% to 70% Equity	2.04%
Russell 1000 Value TR USD	Large Value	0.25%
Russell 1000 Value TR USD	Large Value	3.71%
S&P 500 TR USD	Large Blend	7.37%
S&P 500 TR USD	Large Blend	0.69%
S&P 500 TR USD	Large Blend	5.63%
Russell 1000 Growth TR USD	Large Growth	13.73%
Russell Mid Cap Value TR USD	Mid Value	1.42%
CRSP US Mid Cap TR USD	Mid Blend	1.51%
Russell Mid Cap Growth TR USD	Mid Growth	3.71%
Russell 2000 Value TR USD	Small Value	0.93%
CRSP US Small Cap Value TR USD	Small Value	0.62%
CRSP US Small Cap TR USD	Small Blend	0.93%
Russell 2000 Growth TR USD	Small Growth	1.51%
MSCI ACWI Ex USA NR USD	Foreign Large Equity	2.53%
FTSE Dvlp ex US All Cap(US RIC)NR USD	Foreign Large Equity	0.63%
MSCI ACWI Ex USA Small NR USD	Foreign Small/Mid Equity	0.89%
FTSE EMs AC China A Incl (US RIC) NR USD	Diversified Emerging Mkts	0.31%
S&P 500 Sec/Health Care TR USD	Health	1.62%
Real Estate Spliced Index*	Real Estate	0.37%
MSCI US IMI/Utilities 25-50 GR USD	Utilities	0.48%
S&P Target Date Series	Target Date Series	5.45%

Evaluation Methodology

Per Investment Policy Statement

Returns (40%)

Trailing 3-, 5-, and 10- year
Rolling 10-year

Style (15%)

R^2
Credit Quality
Consistency / Dispersion

Expense (15%)

Net Expense Ratio

Fund Score

Under 26 – Outperform
26 to 50 – Perform
Over 50 - Underperform

Risk (30%)

Sharpe Ratio
Up-Capture Ratio
Down-Capture Ratio



All data points are percentile ranking relative to the Custom Peer Group. The Custom Peer Group is the fund's Morningstar Category excluding Index Funds, fund-of-funds, and funds with less than 3 Years of Returns. Only the lowest expense share class is evaluated.

Evaluation Methodology Summary

Investment Name	Quarterly Ranking			
	2Q21	1Q21	4Q20	3Q20
Intermediate Core-Plus Bond				
Metropolitan West Total Return Bond Fund	16	8	8	5
Allocation--50% to 70% Equity				
American Funds American Balanced Fund	12	16	12	9
Large Value				
DFA US Large Cap Value Portfolio	25	26	34	34
Hartford Dividend and Growth Fund	4	4	4	4
Large Blend				
American Funds Fundamental Invs	37	35	32	32
Vanguard FTSE Social Index Fund	0	0	0	0
Large Growth				
T. Rowe Price Blue Chip Growth Fund	12	11	9	4
Mid Value				
Vanguard Selected Value Fund	37	34	40	49
Mid Growth				
Carillon Eagle Mid Cap Growth Fund	12	13	11	9
Small Value				
American Beacon Sm Cap Val Fd	33	26	19	17
Small Growth				
Fidelity® Small Cap Growth Fund	20	20	20	17
Foreign Large Equity				
Hartford International Opportunities Fd	26	25	26	30
Foreign Small/Mid Equity				
MFS International New Discovery Fund	45	38	24	21
Health				
Hartford Healthcare Fund	29	35	42	32
Target Date Series				
T. Rowe Price Retirement Series	12	15	17	23
Average Rank	21	21	26	26
Plan Weighted Rank (Reweighted)	19	20	23	21



Note: Average and Plan-Weighted Average rankings shown above reflect the actual funds offered in the Plan (and their respective weightings) during the applicable quarter.

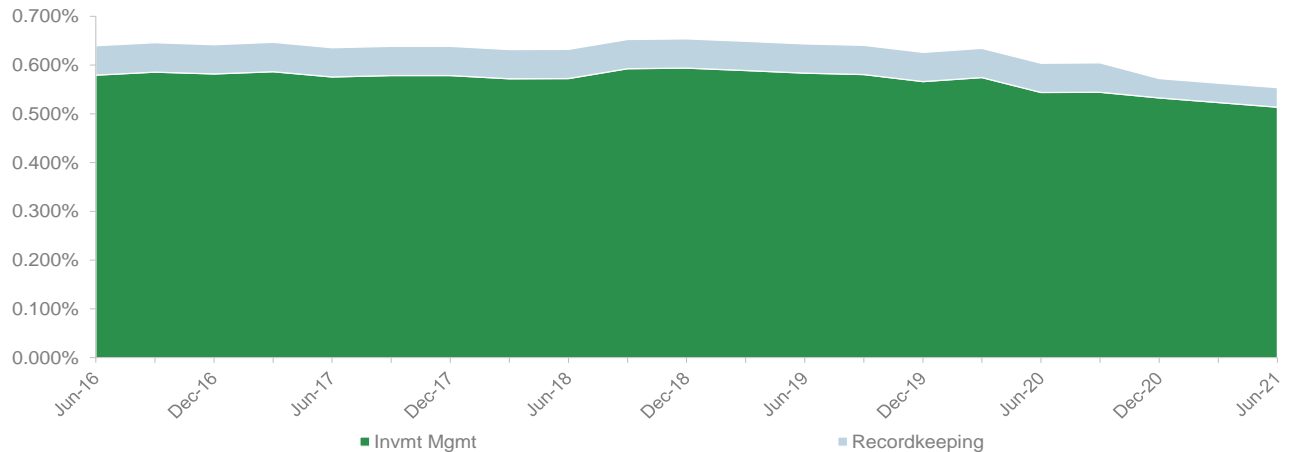
Fee Breakdown & Recordkeeping Costs

	Plan Assets 06/30/2021	Total Plan Expense (%) ²	Total Plan Expense (\$)	Revenue to Invmt. Mgmt. (\$)	Revenue to RK / Admin. (Vendor)
South Coast Air Quality Management District Retirement Savings Plan	\$223,427,787	0.553%	\$1,236,657	\$1,147,253	\$89,404
				0.513%	0.040%
Industry Average ¹		0.595%	\$1,329,738		

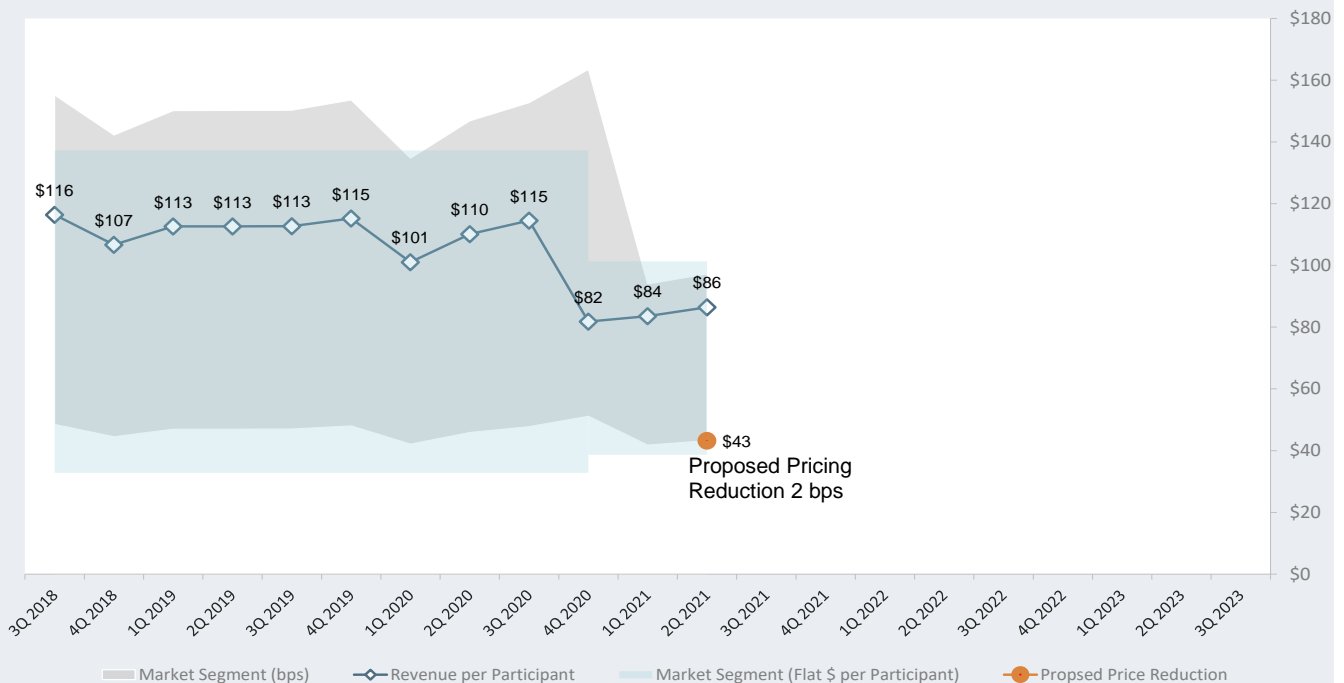
¹The Industry Average represents the weighted expense (based upon current allocation) of lowest cost Institutional and Retirement share classes in each asset category from Morningstar, plus the benchmark revenue requirement.

²Total Plan Expense does not include additional qualified Plan expenses or transaction costs.

Investment Management and Recordkeeping Costs



Recordkeeping Fee on a Per Participant Basis



*Note: The proposed pricing reduction is to 2 bps.



Appendix

Section 5



**South Coast
Air Quality Management District**

21865 Copley Drive, Diamond Bar, CA 91765
(909) 396-2000, www.aqmd.gov

MEETING DATE: August 11, 2020

REPORT: Deferred Compensation Plan Committee

SYNOPSIS: The Deferred Compensation Plan Committee met on Tuesday, August 11, 2020 at 2:10 pm. The meeting was conducted via a Zoom web conference. The following is a summary of that meeting.

RECOMMENDED ACTION:
Receive and file.

A. John Olvera, Chair
Deferred Compensation Plan

AJO:RH:tc

Committee Members Present

John Olvera – Deputy Executive Officer/Admin and Human Resources
Sujata Jain - Chief Financial Officer
Bayron Gilchrist – General Counsel

Committee Members Absent

None

Guests

Dario Gomez, MassMutual
Robert Gleason, Mass Mutual
Darren Stewart, Benefit Financial Services Group (“BFSG”)
Aksana Munoz, BFSG

Call to Order

Chair Olvera called the meeting to order at 2:10 pm.

FIDUCIARY AGENDA

- 1. Approval of Prior Meeting Minutes:** The Committee members unanimously approved the minutes of the meetings held on June 9, 2020.
- 2. 457 and 401(a) Plans Quarterly Investment Review – 2nd Quarter 2020:** The Committee members received and unanimously approved the Retirement Plan Quarterly Investment Review (the “Report”) for the 457 Deferred Compensation Plan and the 401(a) Defined Contribution Plan (collectively the “Plans”) for the quarter ending June 30, 2020.

BFSG reviewed and discussed the Report in detail. The presentation included an overview of the economy and capital markets during the reporting period, followed by a qualitative and quantitative review of the investments offered in the Plan, in accordance with the Investment Policy Statement (the “IPS”) Evaluation Methodology. Of the fourteen funds receiving a methodology ranking score, 6 funds were ranked as “outperform,” 5 were ranked as “perform,” and 3 funds were ranked as “underperform.” The average and Plan-weighted rank totaled 27 (“perform”) and 21 (“outperform”), respectively.

The following noteworthy funds were discussed in more detail.

DFA Large Cap Value returned 16.42% for the quarter outperforming both the index benchmark and category peers by over 100 basis points. Major contributors to recent performance were an underweight to Utilities, an overweight to Energy, and strong stock selection in the Consumer Discretionary sector. Lack of exposure to airlines and

bank stocks was also additive to performance during the quarter. The fund utilizes a deep value investment style which weighted on performance over the 1- and 3-year periods. Long-term performance remains strong.

Vanguard Selected Value is currently on the Watch List. The fund has more exposure to deep value investment strategies and entered 2020 with an overweight to airlines stocks which have been heavily impacted by the global pandemic and a drag on short-term performance. The portfolio has been overweight in the Financial and Industrials sectors which have been laggards to the overall market. With a rebound in energy stocks during the quarter, the fund outperformed its benchmarks due to an overweight allocation in the sector. After discussion, the Committee unanimously agreed to keep the fund on the Watch List.

Hartford Mid Cap Fund has been facing a couple of headwinds with its below average market cap and out of index sector allocations. The fund benchmarks itself against the S&P 400 Mid Cap Index so the portfolio's average market cap is much lower than the Russell Mid Cap Growth Index, \$7 billion compared to \$17 billion. Since large caps have been the leading market segment, this fund has not kept pace in the mid cap growth category as it has less exposure to large cap companies. In addition, the fund maintains an underweight allocation to Technology which has contributed to lagging performance. After discussion, the Committee unanimously agreed to place the fund on the Watch List to monitor for a potential shift of the fund to the mid cap blend category.

Goldman Sachs Small Cap Gr Insights utilizes big data as part of their investment strategy. An underweight to biotech stocks and poor stock selection in Energy led to short-term underperformance. Mr. Stewart recommended placing the fund on the Watch List to monitor for a possible migration away from the small cap growth category. The Committee unanimously agreed.

The T. Rowe Price Retirement Funds outperformed their respective benchmarks across all measured time periods noted in the Report. An overweight to equities was additive to recent performance of the Funds.

The Committee reviewed performance, costs, and utilization of the Target Date Models. The Committee also reviewed point-in-time Plan-level performance noting the Plan demonstrated better risk-adjusted returns than the active benchmark, as measured by 3-year Sharpe ratio, and had a lower expense ratio than the active peer group.

The Committee reviewed fees paid to MassMutual for recordkeeping and administration of the District's Plans. The Committee will continue to monitor the fees on an ongoing basis.

3. **Target Date Models Allocation Update:** BFSG discussed proposed updates to the Target Date Models. The updates included minor allocation changes in each asset class. BFSG will update the Models during the fourth quarter of 2020.
4. **Annual Board Report:** The Committee reviewed and discussed the Annual Report prepared by BFSG. The purpose of the Annual Report was to assist the Governing Board in fulfilling its responsibility to monitor the Committee, to which it has delegated fiduciary responsibility. The Committee reviewed major decisions made during the previous Plan year and unanimously agreed to approve the Annual Report as presented.

SETTLOR AGENDA

5. **Employee Education Meetings Update:** Ms. Munoz provided an update on recent workshops conducted by BFSG's Certified Financial Planner, Mr. Johnson for the District's employees. During the second quarter of 2020, Mr. Johnson conducted 7 one-on-one consultations and delivered 10 financial plans. Approximately 130 employees attended the four workshops conducted by BFSG during the recent quarter.
6. **Quarterly Review 457 and 401(a) Plans:** Mr. Gomez presented MassMutual's Plan Review report for the quarter ending June 30, 2020. His presentation included a review of the following areas: Plan assets, contributions, distributions, rollovers, loans, and plan participation. He further provided an update on employee educational workshops conducted by MassMutual noting there were 40 new enrollments during the quarter and 8 rollovers into the Plan.

The Committee also reviewed and filed the 401(a) Plan Review for the reporting quarter.

7. **Expense Budget Account Quarterly Activity Review:** The Committee reviewed the accounting activity report for the Plan Expense Budget Account for the period ending July 13, 2020.

OTHER MATTERS:

8. **Public Comments** – There were no public comments.
9. **Other Business** – There was no other business.

Adjournment - The meeting adjourned at 3:35 p.m.

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

September 17, 2020

Members Present: John Olvera, Deputy Executive Officer/Admin and Human Resources
Sujata Jain, Chief Financial Officer
Bayron Gilchrist, General Counsel

Committee Consultants: Darren Stewart, Benefit Financial Services Group (“BFSG”)
Aksana Munoz, BFSG
Robert Gleason, MassMutual
Dario Gomez, MassMutual

Call to Order: The special meeting of the Deferred Compensation Plan Committee (the “Committee”) was called to order by Mr. Olvera on September 17, 2020 at 4:00 pm. The purpose of the meeting was to discuss items listed on the agenda. The meeting was conducted via a Zoom web conference.

Action Item

1. Recordkeeping Fee Reduction

MassMutual discussed a proposed reduction of the current fees for recordkeeping and administration of the District’s Plans. The proposal was to reduce the fees from 6 basis points on Plan assets to 4 basis points. After discussion, the Committee unanimously agreed to accept the proposed fee reduction. Mass Mutual will work on preparing necessary amendments to the existing Service Agreement.

Informational Item

2. Acquisition of MassMutual’s Retirement Plan Business

The Committee discussed the recent purchase of MassMutual’s retirement business by Empower Retirement. Mr. Gomez briefly discussed an anticipated transition period noting MassMutual will communicate future steps once the sale transaction is closed.

Other Matters

3. Public Comments – There were no public comments.

Adjournment

With no further items to address, Mr. Olvera adjourned the meeting at 4:15 pm.



**South Coast
Air Quality Management District**

21865 Copley Drive, Diamond Bar, CA 91765
(909) 396-2000, www.aqmd.gov

MEETING DATE: December 2, 2020

REPORT: Deferred Compensation Plan Committee

SYNOPSIS: The Deferred Compensation Plan Committee met on Wednesday, December 2, 2020 at 2:10 pm. The meeting was conducted via a Zoom web conference. The following is a summary of that meeting.

RECOMMENDED ACTION:
Receive and file.

A. John Olvera, Chair
Deferred Compensation Plan

AJO:RH:tc

Committee Members Present

John Olvera – Deputy Executive Officer/Admin and Human Resources
Sujata Jain - Chief Financial Officer
Bayron Gilchrist – General Counsel

Committee Members Absent

None

Guests

Dario Gomez, MassMutual
Robert Gleason, MassMutual
Darren Stewart, Benefit Financial Services Group (“BFSG”)
Aksana Munoz, BFSG

Call to Order

Chair Olvera called the meeting to order at 2:17 pm.

FIDUCIARY AGENDA

1. **Approval of Prior Meeting Minutes:** The Committee members unanimously approved the minutes of the meetings held on August 11, 2020 and September 17, 2020.
2. **Request for Proposal:** The Committee unanimously agreed to issue a Request for Proposal (“RFP”) for the District’s Plans to benchmark fees and services provided by the current vendor, MassMutual. The Committee reviewed and discussed an RFP Timeline drafted by BFSG. Mr. Olvera will lead the RFP process.
3. **457 and 401(a) Plans Quarterly Investment Review – 3rd Quarter 2020:** The Committee members received and unanimously approved the Retirement Plan Quarterly Investment Review (the “Report”) for the 457 Deferred Compensation Plan and the 401(a) Defined Contribution Plan (collectively the “Plans”) for the quarter ending September 30, 2020.

To provide context to the performance of the investment options in the Plan, Mr. Stewart provided an overview of the economy and capital markets during the reporting period. He further provided a quantitative and qualitative review of the funds offered in the Plan, in accordance with the Evaluation Methodology criteria set forth in the Plan’s Investment Policy Statement (the “IPS”). Of the fifteen funds receiving a methodology ranking score, eight funds were ranked as “outperform,” five were ranked as “perform,” and two funds were ranked as “underperform.” The average and Plan-weighted rank totaled 26 (“perform”) and 21 (“outperform”), respectively. The following noteworthy funds were discussed in more detail.

Vanguard FTSE Social Index - BFSG noted the Department of Labor (the “DOL”) finalized its rule binding retirement plan fiduciaries to a “pecuniary” standard when selecting environmental, social and governance (“ESG”) investments in retirement plans. Mr. Stewart advised the fund was added to the Evaluation Methodology and is benchmarked against other funds in the large blend category. The fund outperformed both the S&P 500 Index and large blend category peers across all measured time periods noted in the Report. An overweight to Apple and lack of energy stocks was additive to performance during the most recent quarter.

Vanguard Selected Value is currently on the Watch List due to underperformance relative to its benchmark index and peer group average, as well as a change in management for a large portion of the portfolio. The fund’s limited exposure to the Real Estate and Utilities sectors was additive to performance during the quarter. Poor stock selection in Industrials weighed on performance over the same period. On a quarter-to-date basis, the fund outperformed both benchmarks. After discussion, the Committee agreed to keep the fund on the Watch List to continue monitoring performance closely.

Hartford Mid Cap has underperformed both the benchmark index and peer group average across all periods noted in the Report. Over the last quarter and one-year periods, stock selection in the Healthcare and Technology sectors has detracted the most from performance. Specifically, positioning in biotechnology, medical devices, and scientific instruments companies has particularly impacted results. After discussion, the Committee unanimously agreed to keep the fund on the Watch List. BFSG brought a Fund Search for the Committee’s consideration. It will be reviewed later in the meeting.

Goldman Sachs Small Cap Gr Insights is currently on the Watch List. The fund trailed both benchmarks over the recent quarter and one-year period. Underperformance during the quarter was largely due to an overweight to Financials and Real Estate, and poor stock selection in the Industrials sector. After discussion, the Committee unanimously agreed to keep the fund on the Watch List. BFSG brought a Fund Search for the Committee’s consideration. It will be reviewed later in the meeting.

The T. Rowe Price Retirement Funds outperformed their respective benchmarks across all measured time periods noted in the Report. To address size concerns with its strategy, T. Rowe Price recently added two associate managers to the team effective October 1, 2020.

The Committee reviewed performance, costs, and utilization of the Target Date Models. The Model allocation changes were effective October 16, 2020.

The Committee reviewed point-in-time Plan-level performance noting the Plan demonstrated better risk-adjusted returns than the active benchmark, as measured by 3-year Sharpe ratio, and had a lower expense ratio than the active peer group.

The Committee reviewed fees paid to MassMutual for recordkeeping and administration of the District's Plans. Effective December 1, 2020, the recordkeeping fees were reduced from 0.06% of Plan assets to 0.04%. Fees for the recordkeeping and administration of the 401(a) Plan remain unchanged at 0.06% of Plan assets.

Share Class Review: As part of the Committee's ongoing due diligence, BFSG prepared and reviewed a Share Class analysis to examine the investment options in both Plans. The analysis illustrated a comparison of the current and lowest possible share class of each fund in the Plans. It was noted T. Rowe Price recently decreased expense ratios on their Institutional share class target date series. BFSG proposed moving to the Institutional share class as it would provide additional savings to Plan participants. The Committee unanimously agreed to make this change. In addition, The T. Rowe Price Retirement I 2065 I will be added to complete the current target date suit.

Fund Search: For the Committee's consideration BFSG prepared a Fund Search consisting of current options and available alternatives in the Mid Cap Growth and Small Cap Growth categories. Each investment option was reviewed in accordance with the Plan's Investment Policy Statement criteria, which includes performance, risk-adjusted performance, style consistency, expense, and qualitative criteria. After discussion, the Committee agreed to make the following changes to the Plan fund line-up:

- Replace Hartford Mid Cap with Carillon Eagle Mid Cap Growth.
- Replace Goldman Sachs Small Cap Growth Insights with Fidelity Advisor Small Cap Growth.

SETTLOR AGENDA

- 4. Employee Education Meetings Update:** The Committee received an Employee Education Meetings presentation prepared by BFSG. Due to time constraints, this agenda item was tabled to a future meeting, as warranted.
- 5. Quarterly Review 457 and 401(a) Plans:** Mr. Gleason presented MassMutual's Plan Review report for the quarter ending September 30, 2020. Plan assets increased quarter-over-quarter to approximately \$196 million, representing 1,028 participants with a balance. The average account balance remains strong. Over fifty participants utilize the Plan's Target Date Models. Other areas reviewed included asset allocation, cash flow, onsite meeting results, and COVID-19-related distributions.

The Committee received and filed the 401(a) Plan Review for the reporting quarter. Mr. Gomez provided a brief update on the acquisition of MassMutual's retirement business by Empower Retirement. The transaction is expected to close in the fourth quarter of 2020, pending customary regulatory approvals. It is business as usual until closing.

- 6. Expense Budget Account Quarterly Activity Review:** The Committee reviewed the accounting activity report for the Plan Expense Budget Account for the period ending October 8, 2020. MassMutual will reallocate any unused balance in the EBA back to participants automatically at the end of the year.

OTHER MATTERS:

- 7. Public Comments** – There were no public comments.
- 8. Other Business** – There was no other business.

Adjournment - The meeting adjourned at 3:15 p.m.



**South Coast
Air Quality Management District**

21865 Copley Drive, Diamond Bar, CA 91765
(909) 396-2000, www.aqmd.gov

MEETING DATE: February 16, 2021

REPORT: Deferred Compensation Plan Committee

SYNOPSIS: The Deferred Compensation Plan Committee met on February 16, 2021 at 2:00 pm. The meeting was conducted via a Zoom web conference. The following is a summary of that meeting.

RECOMMENDED ACTION:
Receive and file.

A. John Olvera, Chair
Deferred Compensation Plan

AJO:RH:tc

Committee Members Present

John Olvera – Deputy Executive Officer / Admin and Human Resources

Bayron Gilchrist – General Counsel

Raquel Arciniega - Human Resources Manager

Committee Members Absent

Sujata Jain - Chief Financial Officer

Guests

Dario Gomez, Empower

Robert Gleason, Empower

Darren Stewart, Benefit Financial Services Group (“BFSG”)

Aksana Munoz, BFSG

Call to Order

Chair Olvera called the meeting to order at 2:02 pm.

Approval of Prior Meeting Minutes: The Committee members unanimously approved the minutes of the meeting held on December 2, 2020.

FIDUCIARY AGENDA

- 1. 457 and 401(a) Plans Quarterly Investment Review – 4th Quarter 2020:** The Committee members received and unanimously approved the Retirement Plan Quarterly Investment Review (the “Report”) for the 457 Deferred Compensation Plan and the 401(a) Defined Contribution Plan (collectively the “Plans”) for the quarter ending December 31, 2020.

To provide context to the performance of the investment options in the Plan, BFSG provided an overview of the economy and capital markets during the reporting period. The presentation was followed by a quantitative and qualitative review of the funds offered in the Plan, in accordance with the Evaluation Methodology criteria set forth in the Plan’s Investment Policy Statement (the “IPS”). The following noteworthy funds were discussed in more detail.

The following fund changes are scheduled to be completed on February 21, 2021.

- Hartford Mid Cap will be replaced with Carillon Eagle Mid Cap Growth.
- Goldman Sachs Small Cap Growth Insights will be replaced with Fidelity Advisor Small Cap Growth.

T. Rowe Price Blue Chip Growth - Long-term lead manager Larry Puglia recently announced he will retire later in the year. While the change is occurring sooner than expected, T. Rowe Price has been planning for the succession for over a year.

Associate Portfolio Manager Paul Greene will become the lead manager on October 1, 2021 and significant changes to the strategy are not expected. T. Rowe Price has a history of successful fund manager transitions, largely due to the significant role of analysts in the management of the funds. The upcoming change are not concerning at this time.

Vanguard Selected Value - The fund's performance improved considerably over the past 12 months beating its benchmarks over most measured time periods. Performance was positively impacted by allocations to the cyclical sectors like airlines and industrials and it had low exposure to utilities, real estate and defense sectors which were poor performing sectors during the quarter. The Committee unanimously agreed to keep the fund on the Watch List to see performance level out with the mid cap value category.

Hartford Healthcare Fund - The fund has 3 co-managers. Longtime manager Jean Hynes, who ran this portfolio's pharmaceutical sleeve on her own until recently, will leave this strategy in June 2021. The other two co-managers, who run the biotech and the healthcare services/medical-technology sleeves of this fund, will remain in place. Rebecca Sykes, who will replace Jean Hynes, has somewhat limited portfolio manager experience. In light of this development, the Committee unanimously agreed to place the fund on the Watch.

The T. Rowe Price Retirement Funds - The fund series outperformed both benchmarks during the quarter driven by an overweight to stocks compared to its peers. After underperformance during the market decline in the first quarter of 2020, the funds rebounded well, and each vintage outperformed its active benchmark for the year. While the lead manager recently retired, his long-term co-manager now runs the series and based on conversations with T. Rowe Price, no major changes are expected.

The Committee reviewed performance, costs, and utilization of the Target Date Models. The Model allocation changes were effective October 16, 2020.

The Committee reviewed point-in-time Plan-level performance noting the Plan demonstrated better risk-adjusted returns than the active benchmark, as measured by 3-year Sharpe ratio, and had a lower expense ratio than the active peer group.

The Committee reviewed fees paid to Empower for recordkeeping and administration of the District's Plans. Effective December 1, 2020, the recordkeeping fees for the administration of the 457(b) Plan were reduced from 0.06% on Plan assets to 0.04%. Fees for the recordkeeping and administration of the 401(a) Plan remained unchanged at 0.06% of Plan assets.

It was noted the Plans are under a levelized fee arrangement where fund revenue sharing payments are credited directly to the participants invested in the fund. The

Committee reviewed the share classes used in the Plans and noted that after adjusting for credited revenue sharing, all funds provide participants savings over using the lowest cost share class. Annualized savings are approximately \$27,000.

2. **Request for Proposal Update:** SCAQMD with BFSG’s assistance issued a Request for Proposal (“RFP”) for the District’s Plans to benchmark fees and services provided by the current vendor, Empower. The RFP was released on February 5, 2021. Responses are due March 19, 2021. The Committee will meet on April 13, 2021 to review preliminary RFP results.

SETTLOR AGENDA

3. **Employee Education Meetings Update:** The Committee received an Employee Education Meetings presentation prepared by BFSG. During the fourth quarter of 2020, BFSG conducted one webinar, 4 one-on-one consultations, and delivered 1 financial plan. The 2020 activity included 6 workshops, 42 one-on-one consultations, and 33 financial plans.
4. **Quarterly Review 457 and 401(a) Plans:** Mr. Gleason presented a Plan Review report for the quarter ending December 31, 2020. Plan assets increased quarter-over-quarter to approximately \$211 million, representing 1,028 participants with a balance. The average account balance remains strong at \$205,166. Other areas reviewed included asset allocation, cash flow, loan statistics, Target Date Models utilization, virtual meeting results, and COVID-19-related distributions.

The Committee received and filed the 401(a) Plan Review for the reporting quarter.

5. **Expense Budget Account Quarterly Activity Review:** The Committee reviewed the accounting activity report for the Plan Expense Budget Account for the period ending January 7, 2021. Mr. Gleason noted the remaining balance in the EBA was distributed back to participant pro rata at the end of December 2020.

OTHER MATTERS:

6. **Public Comments** – There were no public comments.
7. **Other Business** – There was no other business.

Adjournment - The meeting adjourned at 3:05 p.m.



**South Coast
Air Quality Management District**

21865 Copley Drive, Diamond Bar, CA 91765
(909) 396-2000, www.aqmd.gov

MEETING DATE: May 18, 2021

REPORT: Deferred Compensation Plan Committee

SYNOPSIS: The Deferred Compensation Plan Committee met on May 18, 2021 at 3:00 pm. The meeting was conducted via a Zoom web conference. The following is a summary of that meeting.

RECOMMENDED ACTION:
Receive and file.

A. John Olvera, Chair
Deferred Compensation Plan

AJO:RH:tc

Committee Members Present

John Olvera – Deputy Executive Officer / Admin and Human Resources
Bayron Gilchrist – General Counsel
Raquel Arciniega - Human Resources Manager
Sujata Jain - Chief Financial Officer

Committee Members Absent

None

Guests

Darren Stewart, Benefit Financial Services Group (“BFSG”)
Aksana Munoz, BFSG

Call to Order

Chair Olvera called the meeting to order at 3:04 pm.

FIDUCIARY AGENDA

- 1. Request for Proposal Review** - For the Committee’s review and consideration, BFSG prepared and presented the preliminary results on the recently issued Request for Proposal (the “RFP”). Four (4) vendors responded to the RFP for the District’s 457 Deferred Compensation and 401(a) Plans, including: Empower (the incumbent), ICMA-RC, Nationwide, Prudential, and Voya.

It was noted data points included in the analysis are those that BFSG believes are both material to the evaluation of the proposals and materially different among proposals. BFSG is not providing suggested scoring of the proposals and the highlighted areas are meant to highlight differences and not suggest a specific score. The RFP scoring will be determined by the Committee.

BFSG reviewed the preliminary findings, summarizing each vendor’s strengths and weaknesses in the areas of recordkeeping platform/capability, market presence, average plan size, communication, assigned client servicing representatives, outsourcing capabilities, employee education, investment platform, and costs. Each category was discussed by the Committee and questions about the vendors’ capabilities were answered.

It was noted a select group of representative employees scored the Participant Experience section of the RFP. Their scoring was reflected in the RFP analysis and reviewed by the Committee.

The Committee evaluated the proposals and completed scoring metrics during the meeting. The following are the final scores:

- Empower: 82.45
- ICMA: 76.6
- Nationwide: 73.1
- Prudential: 73.45
- Voya: 78.25

The Committee unanimously agreed to recommend to the Executive Officer and/or the Governing Board of South Coast AQMD to award the contract to the current service provider, Empower.

2. Public Comments – There were no public comments.

3. Other Business – There was no other business.

Adjournment - The meeting adjourned at 4:45 p.m.



**South Coast
Air Quality Management District**

21865 Copley Drive, Diamond Bar, CA 91765
(909) 396-2000, www.aqmd.gov

MEETING DATE: June 8, 2021

REPORT: Deferred Compensation Plan Committee

SYNOPSIS: The Deferred Compensation Plan Committee met on June 8, 2021, at 3:00 pm. The meeting was conducted via a Zoom web conference. The following is a summary of that meeting.

RECOMMENDED ACTION:
Receive and file.

A. John Olvera, Chair
Deferred Compensation Plan

AJO:RH:tc

Committee Members Present

John Olvera – Deputy Executive Officer / Admin and Human Resources
Bayron Gilchrist – General Counsel
Sujata Jain - Chief Financial Officer

Committee Members Absent

Raquel Arciniega - Human Resources Manager

Guests

Darren Stewart, Benefit Financial Services Group (“BFSG”)
Aksana Munoz, BFSG
Dario Gomez, Empower Retirement (“Empower”)
Robert Gleason, Empower

Call to Order

Chair Olvera called the meeting to order at 3:02 pm.

Approval of Prior Meeting Minutes: The Committee members in attendance unanimously approved the minutes of the meetings held on February 16, 2021, and May 18, 2021.

FIDUCIARY AGENDA

457 and 401(a) Plans Quarterly Investment Review – 1st Quarter 2021: The Committee members in attendance received and unanimously approved the Retirement Plan Quarterly Investment Review (the “Report”) for the 457 Deferred Compensation Plan and the 401(a) Defined Contribution Plan (collectively the “Plans”) for the quarter ending March 31, 2021.

To provide context to the performance of the investment options in the Plan, BFSG provided an overview of the economy and capital markets during the reporting period. The presentation was followed by a quantitative and qualitative review of the funds offered in the Plan, in accordance with the Evaluation Methodology criteria set forth in the Plan’s Investment Policy Statement (the “IPS”). The following noteworthy funds were discussed in more detail.

T. Rowe Price Blue Chip Growth - On March 15th T. Rowe Price issued a proxy vote to change its characterization as a diversified fund. The change would allow management more flexibility in allocating assets to companies with a position larger than five percent in the portfolio. Management has stated they do not plan on significantly altering the investment strategy, but the change is needed as their benchmark has several companies with a greater than five percent allocation.

Vanguard Selected Value is on the Watch List due to underperformance relative to the benchmark index and peer group average. Management typically invests in companies they have determined to be statistically cheap stocks trading below their estimated value with improving investor sentiment. As value came back into favor across markets during the first quarter, this fund outperformed the benchmark index and peer group average by approximately 11% and 10%, respectively, during the last 12 months. Most of the rebound in performance came from good stock selection in the Financials sector, especially regional banks. After discussion, the Committee members in attendance agreed to remove the fund from the Watch List due to improved performance.

MFS International New Discovery underperformed both benchmarks during the quarter. The fund's growth style has not been rewarded in the last 6 months and was the primary reason for short-term underperformance. Intermediate-and long-term performance remain strong. One of fund comanagers has recently retired. His replacement, Lionel Gomez, will manage the fund along with the remaining 4 long-term comanagers. As such, this change is not concerning at this time.

Hartford Healthcare Fund, which was placed on the Watch List during last meeting due to upcoming changes in management, underperformed during the quarter. The underperformance was largely due to poor stock selection in small- and mid-biotech companies. On a year-to-date basis, the fund outperformed its category peers. After discussion, the Committee agreed to keep the fund on the Watch pending further performance improvement.

The Committee reviewed performance, costs, and utilization of the Target Date Models. The Models composition was updated in February 2021 to reflect the recently completed fund changes.

The Committee reviewed point-in-time Plan-level performance noting the Plan demonstrated better risk-adjusted returns than the active benchmark, as measured by 3-year Sharpe ratio, and had a lower expense ratio than the active peer group.

The Committee reviewed fees paid to Empower for recordkeeping and administration of the District's Plans. During the recent Request for Proposal ("RFP") conducted for the District's Plans, Empower proposed to reduce their revenue requirement to 2 basis points on Plan assets. Their proposal included the utilization of Empower's either MassMutual Guaranteed Interest or the Great West Fixed accounts. The market segment for recordkeeping fees has been updated to reflect bids received during the RFP and is now reflected in the Report.

The Plans are currently under a level fee arrangement where fund revenue sharing payments are credited directly to the participants invested in the fund. The Committee reviewed the share classes used in the Plans and noted that after adjusting for credited

revenue sharing, all funds provide participants savings over using the lowest cost share class. Annualized savings are approximately \$28,000.

General Account Review: BFSG compared proposals from Empower related to the current general account. The comparison included a review of the MassMutual Guaranteed Interest account, which is currently utilized by the District's Plans, and the proposed Great West Fixed account. The analysis included a comparison of each product's insurance providers, crediting rates, as well as plan sponsor and participant liquidity provisions.

The Committee discussed advantages and disadvantages of utilizing each account and agreed to continue this discussion at the next regular meeting.

SETTLOR AGENDA

Employee Education Meetings Update: BFSG provided an update on employee education meetings conducted for the District's Plan participants. During the first quarter of 2021, BFSG, in collaboration with Empower, conducted a Retirement Readiness webinar. Over 60 Plan participants attended the webinar. BFSG's CFP, Mr. Johnson, had 6 one-on-one consultations and delivered 3 financial plans. The year-to-date activity was also reviewed by the Committee.

Quarterly Review 457 and 401(a) Plans: Mr. Gleason presented a Plan Review report for the quarter ending March 31, 2021. He noted the District's Plans are scheduled to transition to the Empower's recordkeeping platform in January 2022. The transition is expected to be completed over a weekend with no blackout period.

Plan assets totaled \$215 million (inclusive of Self-Directed Brokerage assets) of the end of the reporting period, compared to \$211 million as of the end of the previous quarter. The number of participants with an account balance decreased slightly from 1,029 to 1,027. Other areas reviewed included the average account balance, asset allocation, cash flow, loan statistics, and Target Date Models utilization. The 2021 Participant Engagement Calendar was also reviewed.

The Committee received and filed the 401(a) Plan Review for the reporting quarter.

Expense Budget Account Quarterly Activity Review: The Committee reviewed the accounting activity report for the Plan Expense Budget Account for the period January 2021 through April 2021. As of April 7, 2021, the balance in the Account was \$3,230.

OTHER MATTERS:

Public Comments – There were no public comments.

Other Business – There was no other business.

Adjournment - The meeting adjourned at 4:45 p.m.