

BOARD MEETING DATE: November 7, 2025

AGENDA NO. 20

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 Omnibus Budget Reconciliation Act of 1990 (OBRA) Deferred Compensation Plans for its employees. The Board is responsible for monitoring the activities of the Deferred Compensation Plan Committee and for ensuring the Committee carries out its fiduciary duties under the Committee Charter. In accordance with the Board's responsibilities, this action is to receive and file the Deferred Compensation Plan Annual Report for Plan Year Ending June 2025.

COMMITTEE: Administrative, October 10, 2025; Recommended for Approval

RECOMMENDED ACTION:

Receive and file Deferred Compensation Plan Annual Report for Plan Year Ending June 2025.

Wayne Nastri
Executive Officer

AJO:mm

Background

South Coast AQMD sponsors and administers 457(b), 401(a) and OBRA Deferred Compensation Plans for its employees. The Deferred Compensation Plans, which include the 457(b), 401(a) and OBRA plans (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 deferred compensation 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. In May 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, Deputy Executive Officer of Administrative and Human Resources, Human Resources Manager over employee benefits, and General Counsel.

Pursuant to a five-year contract, which began January 1, 2022, Empower provides record-keeping and administrative services for the Plans. In addition, South Coast AQMD utilizes the services of an independent, third-party consulting firm, Benefit Financial Services Group 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 design, investment options, asset allocation, and demographics of the Plans, and to make changes as necessary. During the 2024-25 fiscal year period, the Committee added a new managed account service from Empower, removed two funds on the Watch List due to improved performance, and made several changes to remove and/or replace funds in the Plans. In addition, the Committee adopted the following Plan changes: Qualified Disaster Relief Distributions, Domestic Abuse Distributions, and higher catch-up contribution limits for individuals ages 60-63.

As of June 30, 2025, the Plans have:

- 1,184 participants (employees and retirees)
 - Approximately \$271 million in assets
 - Outperformed the 1-, 3-, 5- and 10-year Custom Category benchmark
 - Outperformed the 3- and 10-year Custom Index* benchmark
- * The Index benchmark does not account for costs for investment management expenses.

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 2025.

Attachment

Deferred Compensation Plan Annual Report for Plan Year Ending June 2025

Report To The Board

Plan Year Ending: June 2025

Prepared for: South Coast Air
Quality Management District
457(b) 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 (457b 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")

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

31
DECEMBER
2017



Fiduciary Updates

Meeting Date	Item	Update
September 19, 2024	Watch List	Removed MFS International New Discovery from the Watch List due to improved performance.
	Fiduciary Education	BFSG conducted fiduciary training on the DOL's new fiduciary rule.
December 3, 2024	Fund Change	Replaced TCW Metropolitan West Total Return Bond with Dodge & Cox Income. This change was effective February 12, 2025.
	Empower's Managed Account Service Addition	Added Empower's managed accounts service. This change was effective March 1, 2025.
March 18, 2025	Watch List	Removed Hartford International Opportunities due to strong performance under new manager.
May 27, 2025	Plan Level Accounts – Fund Change	Agreed to utilize Vanguard Federal Money Market for Plan-level accounts.

Settlor Updates

Meeting Date	Item	Update
September 19, 2024	SECURE 2.0 Provision Adoption	Adopted Qualified Disaster Relief Distributions.
December 3, 2024	SECURE 2.0 Provision Adoption	Adopted the following provisions: • Domestic Abuse Distributions • Increased cash-out limit for small balances (from \$5,000 to \$7,000) • Higher catch-up contribution limits for individuals aged 60–63. • Empower’s Auto-portability service.



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	MODERATE ALLOCATION	LARGE VALUE	LARGE BLEND	LARGE GROWTH
Guaranteed Interest Account	Vanguard Total Bond Market Index Adm	American Funds American Balanced R6	DFA US Large Cap Value I Hartford Dividend and Growth R5	Vanguard FTSE Social Index Admiral Vanguard Institutional Index I	T. Rowe Price Blue Chip Growth I
	INTERMEDIATE CORE-PLUS BOND		MID VALUE	MID BLEND	MID GROWTH
	Dodge & Cox Income X		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 Admiral Shares	Fidelity Small Cap Growth K6
FOREIGN					
				FOREIGN LARGE BLEND	
				Hartford International Opportunities R5 Vanguard Developed Markets Index Admiral	
					FOREIGN SMALL/MID GROWTH
					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	Vanguard Health Care Index Admiral
ALLOCATION					
		TARGET DATE SERIES			
		T. Rowe Price Retirement I 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.

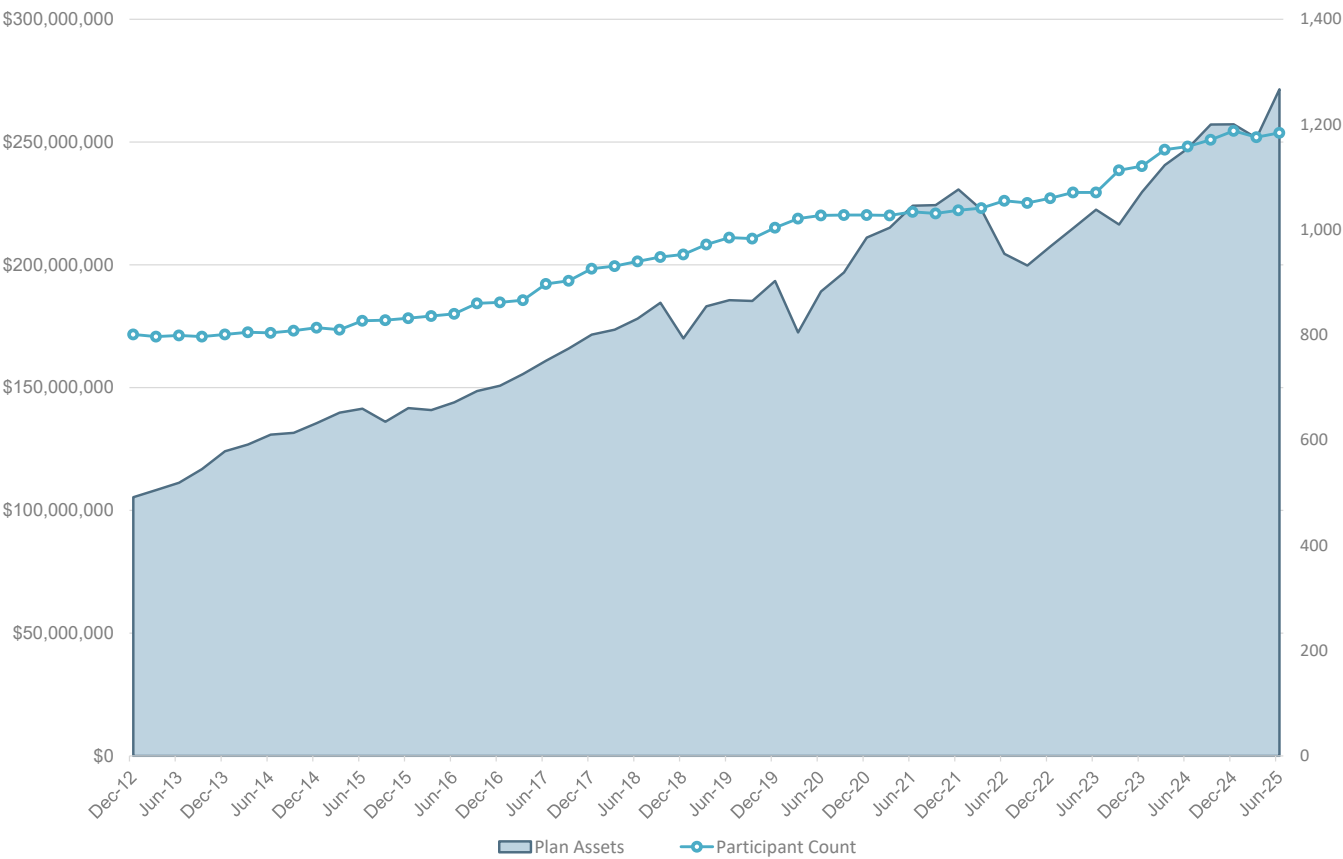
Asset Allocation by Fund

Investment Option	2Q 2025	% of Assets	# of Balances
Guaranteed Interest Account	\$77,135,883	28.65%	604
Vanguard Institutional Index I	\$46,270,309	17.18%	498
T. Rowe Price Blue Chip Growth I	\$39,002,237	14.49%	514
Hartford Dividend and Growth R5	\$11,920,493	4.43%	437
T. Rowe Price Retirement 2045 I	\$8,074,669	3.00%	87
Hartford International Opportunities R5	\$7,652,782	2.84%	418
Carillon Eagle Mid Cap Growth A	\$6,814,956	2.53%	383
T. Rowe Price Retirement 2035 I	\$6,451,903	2.40%	51
Vanguard Total Bond Market Index Adm	\$5,846,964	2.17%	307
American Funds American Balanced R6	\$5,088,061	1.89%	111
Vanguard Mid Cap Index Admiral	\$4,870,070	1.81%	296
Vanguard FTSE Social Index Admiral	\$4,387,662	1.63%	114
Dodge & Cox Income X	\$4,049,773	1.50%	293
Vanguard Selected Value Inv	\$3,967,797	1.47%	340
Vanguard Developed Markets Index Admiral	\$3,847,621	1.43%	234
Fidelity Small Cap Growth K6	\$3,651,990	1.36%	347
T. Rowe Price Retirement 2040 I	\$2,987,149	1.11%	37
Vanguard Health Care Index Admiral	\$2,883,437	1.07%	100
Vanguard Small Cap Index Admiral Shares	\$2,863,428	1.06%	264
T. Rowe Price Retirement 2050 I	\$2,711,221	1.01%	50
T. Rowe Price Retirement 2055 I	\$2,440,834	0.91%	62
American Beacon Small Cap Value R6	\$2,265,010	0.84%	326
MFS International New Discovery A	\$2,079,799	0.77%	194
T. Rowe Price Retirement 2060 I	\$2,057,740	0.76%	75
Vanguard Utilities Index Adm	\$1,713,429	0.64%	87
Vanguard Small Cap Value Index Admiral	\$1,630,129	0.61%	70
Vanguard Emerging Mkts Stock Idx Adm	\$1,457,234	0.54%	189
T. Rowe Price Retirement 2025 I	\$1,323,426	0.49%	20
T. Rowe Price Retirement 2030 I	\$1,156,829	0.43%	18
DFA US Large Cap Value I	\$1,150,265	0.43%	160
Vanguard Real Estate Index Admiral	\$843,036	0.31%	87
T. Rowe Price Retirement 2020 I	\$270,101	0.10%	7
T. Rowe Price Retirement 2065 I	\$249,547	0.09%	30
T. Rowe Price Retirement 2015 I	\$122,074	0.05%	4
T. Rowe Price Retirement 2005 I	\$12,102	0.00%	5
T. Rowe Price Retirement 2010 I	\$9,072	0.00%	3
Subtotal	\$269,259,032	100.00%	1,184
Self-Directed Brokerage Account	\$1,783,388		
Total	\$271,042,419		
Total # of Participants	1,184		
Average Account Balance	\$228,921		

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

Note: Personal Choice Retirement Account had 23 balances as of quarter end.

Growth of Plan Assets



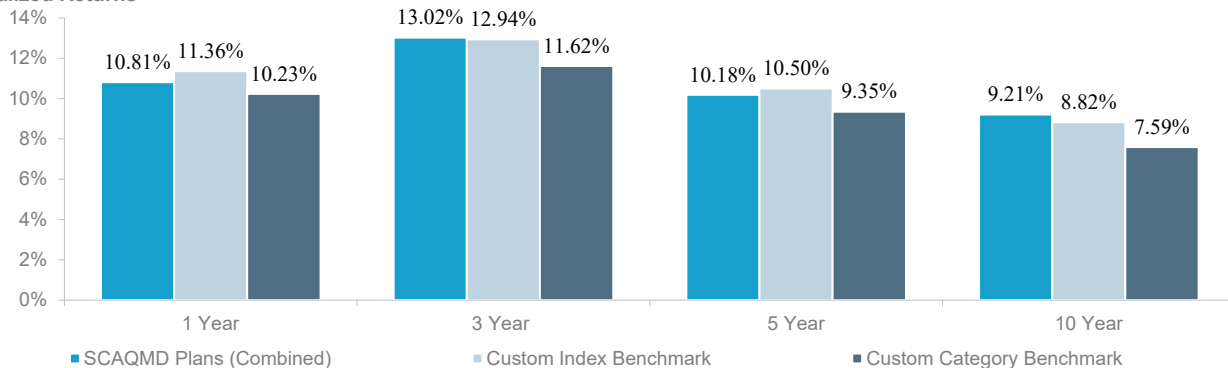


Plan Performance / Cost

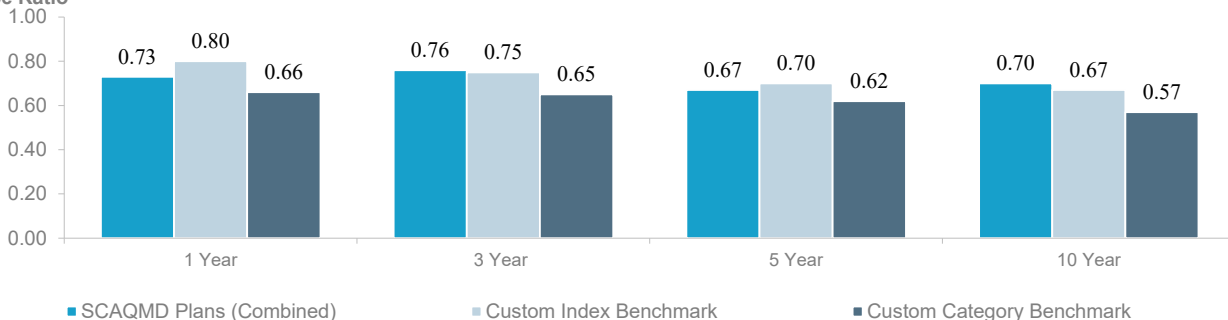
Section 4

Portfolio Return vs. Custom Benchmark

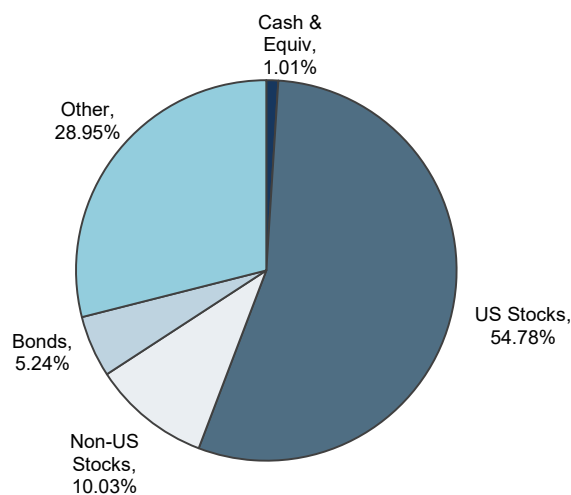
Annualized Returns



Sharpe Ratio



Current Quarter

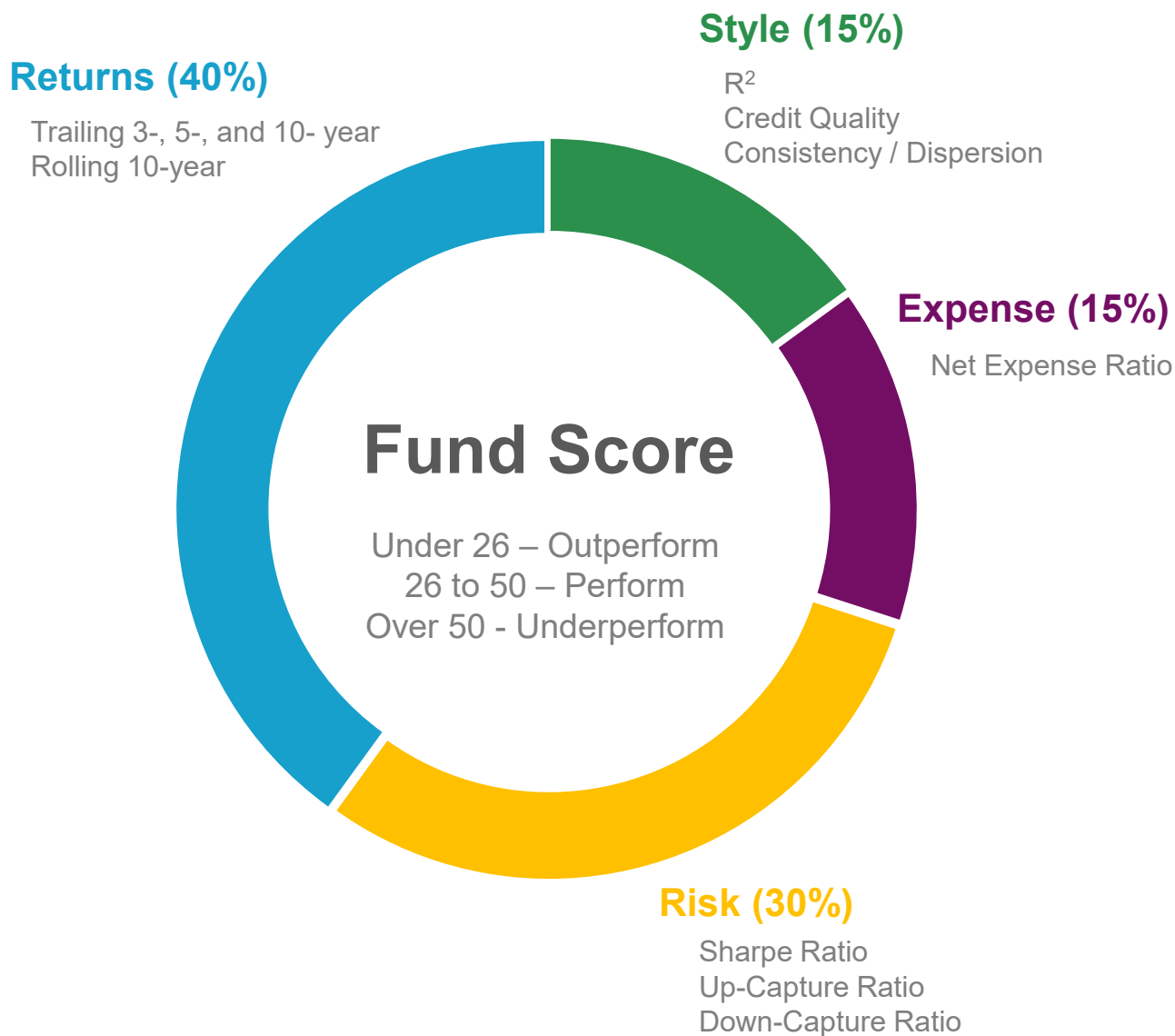


Benchmark Weightings

Index	Category	Weight
BFSG Custom Stable Value	Stable Value	28.65%
Bloomberg US Agg Float Adj TR USD	Intermediate Core Bond	2.17%
40% BC Agg - 60% S&P 500	Moderate Allocation	1.89%
Russell 1000 Value TR USD	Large Value	0.43%
Russell 1000 Value TR USD	Large Value	4.43%
S&P 500 TR USD	Large Blend	1.63%
S&P 500 TR USD	Large Blend	17.18%
Russell 1000 Growth TR USD	Large Growth	14.49%
Russell Mid Cap Value TR USD	Mid Value	1.47%
CRSP US Mid Cap TR USD	Mid Blend	1.81%
Russell Mid Cap Growth TR USD	Mid Growth	2.53%
Russell 2000 Value TR USD	Small Value	0.84%
CRSP US Small Cap Value TR USD	Small Value	0.61%
CRSP US Small Cap TR USD	Small Blend	1.06%
Russell 2000 Growth TR USD	Small Growth	1.36%
MSCI ACWI Ex USA NR USD	Foreign Large Blend	2.84%
FTSE Dvlp ex US All Cap(US RIC)NR USD	Foreign Large Blend	1.43%
MSCI ACWI Ex USA Small Growth NR USD	Foreign Small/Mid Growth	0.77%
FTSE Global All Cap ex US TR USD	Diversified Emerging Mkts	0.54%
MSCI US IMI/Health Care 25-50 GR USD	Health	1.07%
Real Estate Spliced Index	Real Estate	0.31%
MSCI US IMI/Utilities 25-50 GR USD	Utilities	0.64%
S&P Target Date Series	Target Date Series	10.35%

Evaluation Methodology

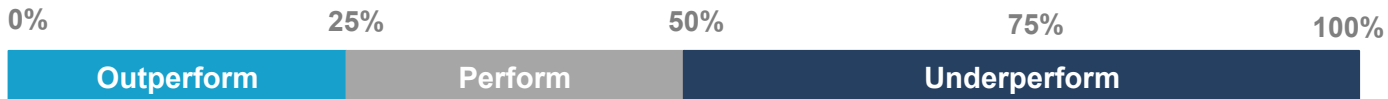
Per Investment Policy Statement



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			
	2Q25	1Q25	4Q24	3Q24
Intermediate Core-Plus Bond				
Dodge & Cox Income Fund	0	0	0	0
Moderate Allocation				
American Funds American Balanced Fund	8	9	10	14
Large Value				
DFA US Large Cap Value Portfolio	44	40	45	41
Hartford Dividend and Growth Fund	21	22	14	10
Large Blend				
Vanguard FTSE Social Index Fund	4	6	7	6
Large Growth				
T. Rowe Price Blue Chip Growth Fund	22	31	29	30
Mid Value				
Vanguard Selected Value Fund	8	5	7	7
Mid Growth				
Carillon Eagle Mid Cap Growth Fund	17	20	12	21
Small Value				
American Beacon Sm Cap Val Fd	50	41	35	25
Small Growth				
Fidelity Small Cap Growth Fund	1	1	2	3
Foreign Large Blend				
Hartford International Opportunities Fd	49	53	48	55
Foreign Small/Mid Growth				
MFS International New Discovery Fund	33	30	40	32
Target Date Series				
T. Rowe Price Retirement Series	38	28	34	40
Average Rank	23	22	27	26
Plan Weighted Rank (Reweighted)	25	26	27	29



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.

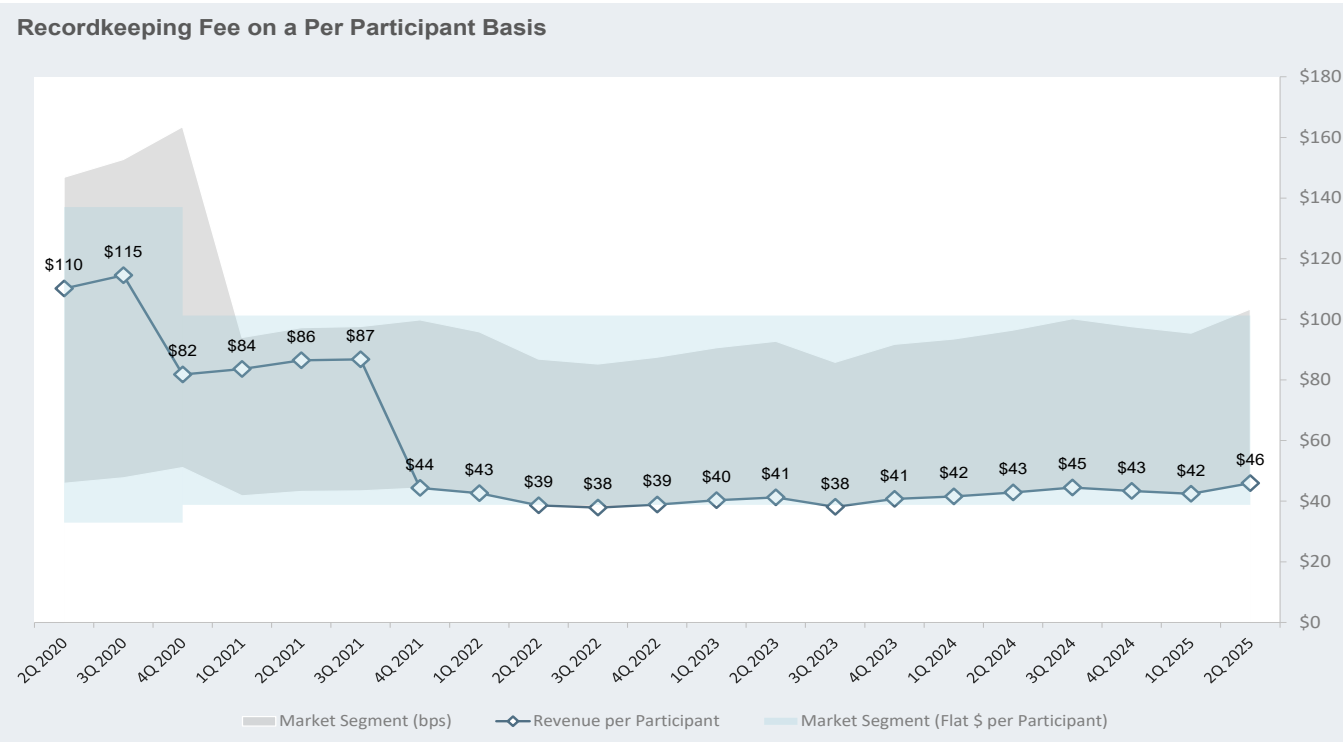
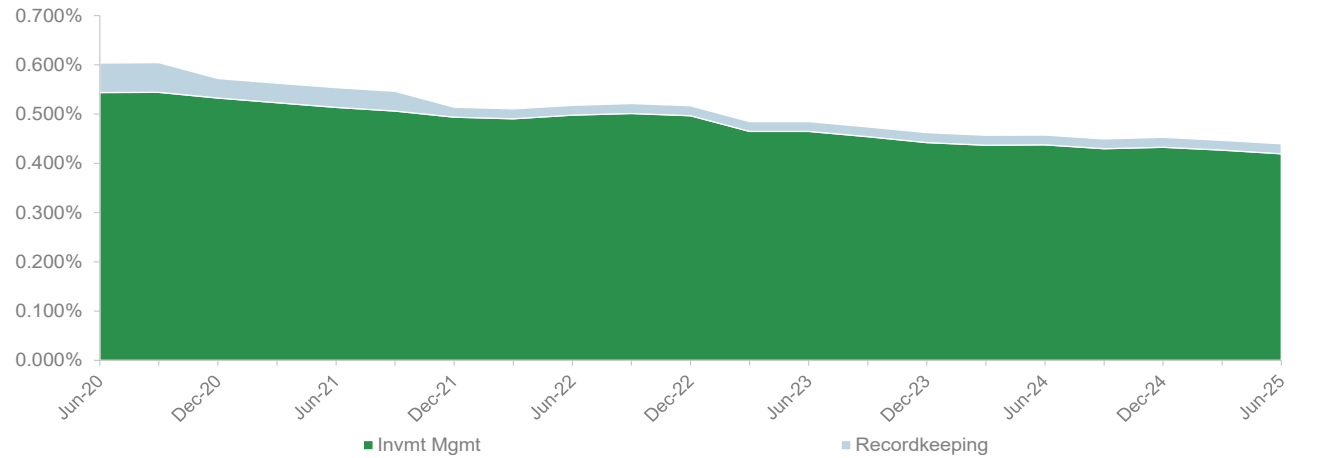
Fee Breakdown & Recordkeeping Costs

	Plan Assets 06/30/2025	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	\$269,259,032	0.440%	\$1,183,584	\$1,129,732	\$53,852
				0.420%	0.020%
Industry Average ¹		0.519%	\$1,398,627		

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





Appendix

Section 5



South Coast Air Quality Management District

21865 Copley Drive, Diamond Bar, CA 91765

(909) 396-2000, www.aqmd.gov

MEETING DATE: September 19, 2024

REPORT: Deferred Compensation Plan Committee

SYNOPSIS: The Deferred Compensation Plan Committee met on September 19, 2024, at 1:30 p.m.
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
Raquel Arciniega - Human Resources Manager

Committee Members Absent

Bayron Gilchrist – General Counsel

Guests

Darren Stewart, Benefit Financial Services Group (“BFSG”)
Aksana Muñoz, BFSG
Lisa Braun-Ward, Empower Retirement (“Empower”)

Call to Order: Chair Olvera called the meeting to order at 1:35 pm.

Approval of Prior Meeting Minutes: The Committee members in attendance approved the minutes of the meeting held on June 14, 2024, as written.

Revisit Decision to Add Roth to 401(a) Plan: The Committee members in attendance voted unanimously to reverse its June 21, 2024, decision to add a Roth in-Plan conversion feature to the 401(a) Plan. As the Plan consists solely of employer contributions, this feature is not applicable and cannot be implemented.

FIDUCIARY AGENDA

457 and 401(a) Plans Quarterly Investment Review – 2nd Quarter 2024: The Committee members in attendance received and approved the Retirement Plan Quarterly Investment Review (the “Report”) for the 457 Deferred Compensation Plan and the 401(a) Defined Contribution Plan (collectively the “Plan”) for the quarter ending June 30, 2024.

Assets in the Plan increased quarter-over-quarter, rising from \$239 million to \$246 million. The number of participants with a balance also grew, from 1,152 to 1,158 during the quarter. The largest individual holding remained the Guaranteed Interest Account, which represents over 32% of total assets, amounting to more than \$80 million. Additionally, the T. Rowe Retirement series, which serves as the default fund for participants who do not provide an investment selection, collectively accounted for 9% of total assets.

The Committee reviewed fees paid to Empower for recordkeeping and administration of the District’s Plan. The Plan operates 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 Plan and noted that after adjusting for credited revenue sharing, using the optimal share class for each fund provided annualized savings of over \$24,000.

To provide context to the performance of the investment options in the Plans, BFSG provided a brief 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 Plans, in accordance with the Evaluation Methodology criteria set forth in the Plan’s Investment Policy Statement (the “IPS”).

Metropolitan West Total Return Bond has been on the Watch List since September 2023. The fund’s Evaluation Methodology rank improved slightly from 64 (“underperform”) to 63 (“underperform”) during the quarter. Though, the fund still underperformed its index and peers during the second quarter and on a year-to-date basis. The portfolio’s overweight duration position has been the main detractor from performance. Consistent with its view that the economy will begin to weaken, fund management has maintained an underweight to credit, which wasn’t meaningful for the quarter but has been a detractor over the last year. As agreed in the previous meeting, BFSG brought a Fund Search that included the current option, Metropolitan West Total Bond, along with available alternatives in the Intermediate Core-Plus category. However, due to Mr. Gilchrist’s absence, the Committee members in attendance voted unanimously to table the review of the Fund Search until the next meeting and keep the fund on the Watch List.

Hartford International Opportunities was placed on the Watch List in December 2023 due to underperformance and a manager change. Since the new manager took over in December 2023, the fund has shown strong performance, demonstrating competitive results over both the quarterly and year-to-date periods. After discussion, the Committee members in attendance agreed to keep the fund on the Watch List to continue monitoring its performance under the new management.

MFS International New Discovery has been on the Watch List since September 2021 due to management changes. During the quarter, an overweight position in technology positively impacted performance, although this was partially offset by an overweight in Japan. Known for its defensively structured portfolio, the fund has consistently exhibited significantly lower volatility compared to its peers and has performed competitively in recent down markets, as evidenced by its outperformance of the index benchmark and peers over the 3-year period. With the new manager having been in place for over three years, the fund has demonstrated strong performance under their leadership. Consequently, the Committee members in attendance unanimously agreed to remove the fund from the Watch List.

Other areas reviewed included the performance of the T. Rowe Price Retirement series, the Plan's Target Date Models, and point-in-time Plan-level performance. It was noted that the Target Date Models were successfully integrated into the District's 401(a) Plan, effective August 28, 2024.

Fund Search Analysis: Tabled to the Committee's next meeting.

Fiduciary Education – New Fiduciary Rule: The Department of Labor (the "DOL") released its new fiduciary rule on April 23, 2024, amending the definition of an investment advice fiduciary under the Employee Retirement Income Security Act of 1974 ("ERISA") and the Internal Revenue Code. Although ERISA does not apply to governmental plans, the best practice is to attempt to follow the guidelines and regulations established for qualified plans.

The final rule broadens the scope of who may be considered a fiduciary and introduces new requirements for investment firms and professionals. It replaces the old five-part test and now includes one-time and online advice. Although the rule was scheduled to take effect on September 23, 2024, it was placed on hold. BFSG will continue to monitor this development.

BFSG already serves as a fiduciary for the Plan and Plan participants and acknowledges its fiduciary status in their Consulting Agreement.

BFSG Participant Education Update: On August 22, 2024, BFSG hosted a webinar for District employees titled "Expense & Debt Management," which had 43 attendees. The next webinar, "Charitable Gift Giving Strategies," is scheduled for November 21, 2024. To date, BFSG's Certified Financial Planner, Keith Johnson, has conducted 20 one-on-one consultations and delivered 9 comprehensive financial plans.

Quarterly Review 457 and 401(a) Plans: Ms. Braun-Ward briefly reviewed the 457(b) Plan Review report for the quarter ending June 30, 2024. The review covered various aspects, including Plan assets, demographics, cash flow, asset allocation, savings and deferral rates, participation, loan utilization, and the utilization of Empower's Lifetime Income Score tool. Empower's 401(a) Plan Review report was also presented to the Committee.

National Retirement Security Month Campaign: Ms. Braun-Ward provided an update on the upcoming National Retirement Security Month campaign, set for October 2024. The campaign will highlight the resources available to Empower employees to support their retirement planning, while also emphasizing key steps employees can take to enhance the security of their accounts.

Expense Budget Account Quarterly Activity Review: The Committee reviewed the accounting activity report for the Plan Expense Budget account. Any unused balance in the account will be reallocated to participants by the end of the year.

SETTLOR AGENDA

Annual Report: The Committee reviewed and discussed the Annual Report prepared by BFGS for the fiscal year ending June 30, 2024. The report was designed to assist the Governing Board in fulfilling its oversight role, as fiduciary responsibility has been delegated to the Committee. The Committee members in attendance reviewed the key decisions made during the previous Plan year and unanimously approved the Annual Report as presented.

SECURE Act 2.0. Provision Addition: Ms. Braun-Ward provided an overview of the optional provisions available at Empower, designed to align with SECURE Act 2.0. The key provisions discussed included:

- *Domestic Abuse Distributions and Qualified Disaster Recovery Distributions:* Participants will need to self-certify with Empower to confirm their eligibility for these withdrawals.
- *Increased Catch-up Limits:* Effective January 1, 2025, employees aged 60 to 63 will be eligible to contribute more than \$10,000 (indexed) or 150% of the regular catch-up contribution. If adopted, the District will need to coordinate with its payroll provider to ensure proper integration of the new contribution limits with the higher catch-up thresholds.
- *Mandatory Cash-out Limit Increase:* The limit for mandatory distribution of small balances for terminated employees can be increased from \$5,000 to \$7,000, should the District choose to adopt this option.

Following the discussion, the Committee members in attendance voted unanimously to permit Qualified Disaster Recovery Distributions in the 457(b) and 401(a) Plans. They will revisit the topics of Domestic Abuse Distributions, Increased Catch-up Limits, and Mandatory Cash-out Limit Increases at the next meeting.

OTHER MATTERS:

Public Comments – There were no public comments.

Other Business – There was no other business.

Adjournment - The meeting adjourned at 2:53 p.m.



South Coast Air Quality Management District

21865 Copley Drive, Diamond Bar, CA 91765

(909) 396-2000, www.aqmd.gov

MEETING DATE: December 3, 2024

REPORT: Deferred Compensation Plan Committee

SYNOPSIS: The Deferred Compensation Plan Committee met on December 3, 2024, at 1:00 p.m. 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

Raquel Arciniega - Human Resources Manager

Guests

Darren Stewart, Benefit Financial Services Group (“BFSG”)
Aksana Muñoz, BFSG
Lisa Braun-Ward, Empower Retirement (“Empower”)

Call to Order: Chair Olvera called the meeting to order at 1:10 pm.

Approval of Prior Meeting Minutes: Since Mr. Gilchrist was absent from the previous meeting and is unable to approve the prior meeting minutes, and Ms. Arciniega is absent today, the Committee deferred the approval of the minutes to their next meeting.

FIDUCIARY AGENDA

457 and 401(a) Plans Quarterly Investment Review – 3rd Quarter 2024: The Committee members in attendance received and voted unanimously to approve the Retirement Plan Quarterly Investment Review (the “Report”) for the 457 Deferred Compensation Plan and the 401(a) Defined Contribution Plan (collectively the “Plan”) for the quarter ending September 30, 2024.

Assets in the Plan increased quarter-over-quarter, rising from \$246 million to \$256 million. The number of participants with a balance also grew, from 1,158 to 1,171 during the quarter. The largest individual holding remained the Guaranteed Interest Account, which represents over 30% of total assets, amounting to roughly \$79 million. Additionally, the T. Rowe Retirement series, which serves as the default fund for participants who do not provide an investment selection, collectively accounted for 9% of total assets.

The Committee reviewed fees paid to Empower for recordkeeping and administration of the District’s Plan. The Plan operates under a level fee arrangement where fund revenue sharing payments are credited directly to the participants invested in the fund. During the Committee’s review of the share classes utilized in the Plan, it was observed that, after accounting for credited revenue sharing, all funds offer participants savings compared to using the lowest cost share class. The annualized savings from share classes amounted to over \$25,000.

To provide context for the performance of the investment options in the Plans, BFSG provided a brief 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 Plans, in accordance with the Evaluation Methodology criteria set forth in the Plan’s Investment Policy Statement (the “IPS”).

TCW Metropolitan West Total Return Bond has been on the Watch List since September 2023. During the most recent quarter, the fund outperformed both its benchmark index and category peers. The fund’s longer duration relative to peers contributed positively to performance this quarter, though it had been a significant detractor over the prior two years during rising interest rates. Despite recent outperformance, the fund’s overweight to Treasuries and an underweight to corporate securities continued to weigh on results. Additionally, there have been several notable changes at both the corporate and fund levels. The Committee members in attendance unanimously agreed to keep the fund on the Watch List, pending a review of the Fund Search later in the meeting.

Carillon Eagle Mid Cap Growth underperformed for the quarter and over the 1- and 3-year periods, primarily due to poor stock selection in healthcare and technology. Despite this, the fund’s overall Evaluation Methodology rank of 21 (“outperform”) remains strong. Since the end of the reporting quarter, the fund has outperformed its category peers by over 2%. No action was taken at this time.

Hartford International Opportunities was placed on the Watch List in December 2023 due to underperformance and a manager change. Since the new manager assumed leadership in December 2023, the fund has delivered strong performance, with competitive results in the first two quarters of the year. Key contributors to its performance included strong stock selection and an underweight to China during this period. After discussion, the Committee members in attendance unanimously agreed to keep the fund on the Watch List to continue monitoring its performance under the new manager.

Other areas reviewed included the performance of the T. Rowe Price Retirement series, the Plan's Target Date Models, and point-in-time Plan-level performance.

Fund Search Analysis: For the Committee's consideration, BFSG brought an updated Fund Search consisting of current options and available alternatives in the Intermediate Core-Plus category, including the current option, TCW Metropolitan West Total Return Bond. Each investment option was reviewed in accordance with the Plan's Investment Policy Statement criteria, which encompasses performance, risk-adjusted performance, style consistency, expense, and qualitative factors.

DECISION: After discussion, the Committee members in attendance voted unanimously to remove TCW Metropolitan West Total Return Bond from the Plan and replace it with Dodge & Cox Income. The Dodge & Cox fund was selected for its strong historical performance, strong risk-adjusted performance, and deep and experienced management team.

Consideration to Add Empower's Advice and Managed Accounts Service: The Committee revisited prior discussions regarding the potential inclusion of Empower's point-in-time fiduciary advice and managed accounts service in the Plan. Ms. Braun-Ward recapped the benefits of adding these services.

Ms. Braun-Ward confirmed that point-in-time fiduciary advice has been turned on for the District. There is no cost for this service, but it currently can only be provided online. Managed accounts would need to be added for Empower representatives to provide point-in-time advice during participant meetings.

DECISION After discussion, the Committee members in attendance voted unanimously to add Empower's managed accounts.

OBRA Plan Discussion: This topic was part of the SECURE Act 2.0. Provision Addition section.

Participant Education Update: BFSG provided the following updates on employee education initiatives:

- **Benefit Fair Participation:** BFSG attended the Benefit Fair on October 10, 2024. Employees shared positive feedback on the regular webinars, noting the informative and easy-to-follow content, as well as helpful ongoing assistance provided by BFSG's Certified Financial Planner (CFP), Keith Johnson.
- **November Webinar:** The District cancelled the previously scheduled November webinar, "*Charitable Gift Giving Strategies*."
- **CFP Update:** To date, CFP Keith Johnson has conducted 24 one-on-one consultations and delivered 9 comprehensive financial plans.
- **National Fall Webinar Series:** The BFSG National Fall Webinar Series ran from October 30 to November 20, 2024. Sessions included "*Navigating Volatile Markets*," "*Navigating Your Tax Strategy*," "*Navigating the Financial Seas: A Roundtable Discussion*," and "*Navigating Your Retirement Plan*." Recordings of these sessions will soon be available for the District to distribute to employees.

Quarterly Review 457 and 401(a) Plans: Ms. Braun-Ward briefly reviewed the 457(b) Plan Review report for the quarter ending September 30, 2024. The review covered various aspects, including Plan assets, demographics, cash flow, asset allocation, savings and deferral rates, participation, loan utilization, and the utilization of Empower's Lifetime Income Score tool. Empower's 401(a) Plan Review report was also presented to the Committee.

Expense Budget Account Quarterly Activity Review: The Committee reviewed the accounting activity report for the Plan Expense Budget account. Any unused balance in the account will be reallocated to participants by the end of the year.

SETTLOR AGENDA

SECURE Act 2.0. Provision Addition: Ms. Braun-Ward revisited the Committee's previous discussion on optional SECURE Act 2.0 provisions available through Empower. She provided a recap of key points regarding Domestic Abuse Distributions, Higher Catch-up Limits, and the increase in Mandatory Cash-Out Limits.

After discussion, the Committee members in attendance unanimously voted to approve the following actions:

- **Domestic Abuse Distributions:** Add this provision to both the 401(a) and 457(b) Plans.
- **Increase in Cash-Out Limit for Small Balances:** Raise the limit from \$5,000 to \$7,000 for both the 401(a) and 457(b) Plan, including the OBRA Plan, and utilize Empower's automated service for these balances.
- **Qualified Disaster Recovery Distributions:** Reaffirm the decision from the prior meeting to include this provision in both the 401(a) and 457(b) Plans.
- **Higher Catch-Up Limits for Ages 60-63:** Permit higher catch-up contribution limits starting January 1, 2025, in the 457(b) Plan.
- **Empower's Auto-Portability Service:** Adopt Empower's auto-portability service to automatically transfer small balances of terminated employees in default IRAs to a new employer's plan, unless participants opt out.

Ms. Braun-Ward also reminded the Committee that effective January 1, 2026, employees participating in plans permitting catch-up contributions who earned more than \$145,000 in the prior year must make all catch-up contributions as Roth contributions.

OTHER MATTERS:

Public Comments – There were no public comments.

Other Business – There was no other business.

Adjournment - The meeting adjourned at 3:00 p.m.



South Coast Air Quality Management District

21865 Copley Drive, Diamond Bar, CA 91765

(909) 396-2000, www.aqmd.gov

MEETING DATE: March 18, 2025

REPORT: Deferred Compensation Plan Committee

SYNOPSIS: The Deferred Compensation Plan Committee met on March 18, 2025, at 1:30 p.m. 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
Raquel Arciniega - Human Resources Manager

Committee Members Absent

Bayron Gilchrist – General Counsel

Guests

Darren Stewart, Benefit Financial Services Group (“BFSG”)
Aksana Muñoz, BFSG
Lisa Braun-Ward, Empower Retirement (“Empower”)

Call to Order: Chair Olvera called the meeting to order at 1:30 pm.

Approval of Prior Meeting Minutes

Due to Mr. Gilchrist's absence from today's meeting, the Committee deferred approval of the September 2024 and December 2024 meeting minutes to the next meeting.

FIDUCIARY AGENDA

457 and 401(a) Plans Quarterly Investment Review – 4th Quarter 2024

The Committee members in attendance received and voted unanimously to approve the Retirement Plan Quarterly Investment Review (the “Report”) for the 457 Deferred Compensation Plan and the 401(a) Defined Contribution Plan (collectively the “Plan”) for the quarter ending December 31, 2024.

Plan assets experienced a slight quarter-over-quarter increase and remained at \$257 million. The number of participants with a balance increased from 1,171 to 1,188 during the quarter. The Guaranteed Interest Account remained the largest individual holding, representing over 30% of total assets, approximately \$79 million. Additionally, the T. Rowe Retirement series, which serves as the default fund for participants who do not provide an investment selection, collectively accounted for 10% of total assets.

The Committee reviewed fees paid to Empower for recordkeeping and administration of the District's Plan. The Plan operates under a level fee arrangement where fund revenue sharing payments are credited directly to the participants invested in the fund. During the Committee's review of the share classes utilized in the Plan, it was observed that, after accounting for credited revenue sharing, all funds offer participants savings compared to using the lowest cost share class. The annualized savings from share classes amounted to over \$24,000.

To provide context for the performance of the investment options in the Plans, BFSG provided a brief 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 Plans, in accordance with the Evaluation Methodology criteria set forth in the Plan's Investment Policy Statement (the “IPS”).

On February 12, 2025, *Dodge & Cox Income* replaced TCW Metropolitan West Total Return Bond. The chief executive officer (“CEO”), Dana Emery, is scheduled to retire on December 31, 2025. Both Roger Kuo and David Hoeft will succeed Dana Emery as CEO and Chair of the Dodge & Cox Funds Board. Additionally, a member of the Dodge & Cox's global fixed income committee joined the fund's committee, effective January 15, 2025. It was noted there were no material concerns with these management changes.

Vanguard FTSE Social Index - BFSG provided an update on the recent lawsuit against American Airlines' retirement plan in a Texas district court. The case initially challenged the inclusion of ESG-related funds but was later revised to allege that American Airlines breached its fiduciary duty by selecting BlackRock index funds, citing concerns over BlackRock's proxy voting policies and consideration of ESG and ESG-adjacent factors. As of the end of the reporting period, the Vanguard FTSE Social Index fund held \$4 million in assets, representing 1.5% of total Plan assets. The fund's performance remained strong across all measured time periods in the Report. The Committee members in attendance discussed the update and agreed to revisit the topic in more detail at the next scheduled meeting.

Hartford International Opportunities was placed on the Watch List in December 2023 due to underperformance and a manager change. During the reporting quarter, the fund's Evaluation Methodology ranking improved from 55 ("underperform") to 48 ("perform"), reflecting improved performance. Since the new manager took over in December 2023, the fund has demonstrated strong performance, delivering competitive results over the past four quarters and outperforming both benchmarks over the one-year period. Key contributors to the performance included strong stock selection in the industrials and materials sectors. After discussion, the Committee members in attendance unanimously agreed to remove the fund from the Watch List due to its sustained performance under the new manager.

MFS International New Discovery - Effective May 1, 2025, one of the fund's five co-managers will step down from portfolio management responsibilities to focus on another fund within the firm. The remaining four long-tenured co-managers will continue overseeing the fund. No action was recommended.

The Committee reviewed the performance of the T. Rowe Price Retirement series, noting that the funds predominantly outperformed their respective benchmarks across all measured time periods in the Report.

As allocated by participants on December 31, 2024, the Plan outperformed the custom active benchmark over all time periods measured in the Report. Comparisons to the custom index benchmark showed mixed results, as the index benchmark does not account for investment fees.

Participant Education Update

BFSG presented the finalized 2025 educational calendar, outlining two scheduled webinars:

- March 20, 2025 – *Expense and Debt Management*
- September 11, 2025 – *Retirement Income Needs*

Each session will be recorded and provided to the District's HR for internal distribution. Additionally, BFSG's National Summer and Fall Webinar Series will be made available to District employees later in the year.

BFSG also provided an update on employee engagement with BFSG's CFP. In 2024, Keith Johnson conducted 25 one-on-one sessions and delivered 9 comprehensive financial plans to employees.

Quarterly Review 457 and 401(a) Plans: Ms. Braun-Ward provided a brief review of the 457(b) Plan for the quarter ending December 31, 2024, covering key aspects such as Plan assets, demographics, cash flow, asset allocation, savings and deferral rates, participation, loan utilization, and the use of Empower's Lifetime Income Score tool.

The Plan participation rate stood at 74%, exceeding Empower's benchmark of 57%. Additionally, the average contribution rate was 12.3%, significantly higher than Empower's benchmark of 7.3%. The Committee reviewed Plan cash flow and noted elevated distribution amounts throughout 2024, particularly in the last quarter of the year.

Empower's 401(a) Plan Review report was also shared with the Committee.

Expense Budget Account Quarterly Activity Review: The Committee reviewed the accounting activity report for the Plan Expense Budget account. By the end of the year, any unused balance in the account was reallocated to participants, leaving a residual balance of \$33.82.

SETTLOR AGENDA

Roth Catch up Requirement Update

BFSG provided an update on recent IRS guidance regarding the SECURE Act 2.0 mandate, which requires catch-up contributions for individuals earning \$145,000 or more to be made as Roth contributions. The guidance clarified that FICA wages are determined based on Social Security tax, not Medicare tax. New guidance excludes employees who do not have FICA wages from the Roth mandate.

OTHER MATTERS:

Public Comments – There were two public employees present; however, no public comments were received.

Other Business – There was no other business.

Adjournment - The meeting adjourned at 2:33 p.m.



South Coast Air Quality Management District

21865 Copley Drive, Diamond Bar, CA 91765

(909) 396-2000, www.aqmd.gov

MEETING DATE: May 27, 2025

REPORT: Deferred Compensation Plan Committee

SYNOPSIS: The Deferred Compensation Plan Committee met on May 27, 2025, at 1:00 p.m. 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

Raquel Arciniega - Human Resources Manager

Guests

Darren Stewart, Benefit Financial Services Group (“BFSG”)
Aksana Muñoz, BFSG
Lisa Braun-Ward, Empower Retirement (“Empower”)

Call to Order: Chair Olvera called the meeting to order at 1:04 pm.

Approval of Prior Meeting Minutes

The Committee members in attendance approved the minutes from the meeting held on December 3, 2024.

In Ms. Arciniega’s absence, the Committee deferred approval of the September 2024 and March 2025 meeting minutes to the next meeting.

FIDUCIARY AGENDA

Replacement for MassMutual US Government Money Market Fund

Ms. Braun-Ward informed the Committee that MassMutual is scheduled to liquidate the MassMutual U.S. Government Money Market Fund in early September 2025. This fund is currently used for Plan-level accounts, including the Expense Account. She reviewed the quarter-end balances in each Plan’s Expense Account.

Ms. Braun-Ward noted that if no action is taken by SCAQMD, Empower will automatically map the assets from the MassMutual fund to its designated replacement—the Dreyfus Government Securities Cash Management Fund in September 2025. If the Committee prefers to designate an alternative fund, Empower must be notified by July 7, 2025.

For the Committee’s consideration, BFSG prepared a Fund Search analysis comparing the MassMutual U.S. Government Money Market Fund, the Dreyfus Government Securities Cash Management Fund, and the Vanguard Federal Money Market Fund. The Committee reviewed key data on historical performance, fees, portfolio composition, and allocation for each option.

DECISION: After discussion, the Committee members in attendance agreed to utilize the Vanguard Federal Money Market fund for Plan-level accounts.

457 and 401(a) Plans Quarterly Investment Review – 1st Quarter 2025

The Committee members in attendance received and voted unanimously to approve the Retirement Plan Quarterly Investment Review (the “Report”) for the 457 Deferred Compensation Plan and the 401(a) Defined Contribution Plan (collectively the “Plan”) for the quarter ending March 31, 2025.

As of the end of the reporting period, Plan assets totaled \$249.5 million (excluding brokerage assets), a decrease from \$255 million in the prior reporting period. The number of participants with an account balance declined from 1,188 to 1,172.

The Guaranteed Interest Account remained the Plan’s largest single holding, representing 31% of total assets (\$78 million). The T. Rowe Price Retirement target date series, the Plan’s default investment option, collectively accounted for just over 10% of total assets.

The Committee reviewed fees paid to Empower for recordkeeping and administration of the District’s Plan. The Plan operates under a level fee arrangement where fund revenue sharing payments are credited directly to the participants invested in the fund. During the Committee’s review of the share classes utilized in the Plan, it was observed that, after accounting for credited revenue sharing, all funds offer participants savings compared to

using the lowest cost share class. The annualized savings from share classes amounted to approximately \$24,000.

To provide context for the performance of the investment options in the Plans, BFSG provided a brief 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 Plans, in accordance with the Evaluation Methodology criteria set forth in the Plan's Investment Policy Statement (the "IPS"). There were no funds on the Watch List as of the date of the Report.

Hartford International Opportunities - The fund was initially placed on the Watch List in December 2023 due to underperformance and a manager change. At the prior meeting, the Committee removed the fund from the Watch List following improved performance under the new manager, who has been in place since late 2023. Despite an overall Evaluation Methodology score of 53 ("underperform"), the fund outperformed its index benchmark across all time periods measured in the Report and its peers over the 5- and 10-year periods. During the quarter, an overweight to the technology sector detracted from results; however, strong stock selection within the sector helped offset some of the impact. No action was recommended.

American Beacon Small Cap Value – The fund's underperformance relative to its peers and benchmark for the quarter resulted in a decline in its Evaluation Methodology rank from 35 to 41 ("perform"). While it is slightly underperforming peers on a three- and ten-year basis, it continues to outperform its benchmark over the three-, five-, and ten-year periods. Underperformance during the quarter was due to sector allocation, as stock selection within the sectors contributed to relative performance. An underweight to real estate and an overweight to technology were the key detractors. During the reporting period, one of the fund's five subadvisors was replaced. BFSG noted no concerns with this change. The fund will continue to maintain an even allocation across all five sub-advisors, each employing a distinct value investing strategy.

The Committee reviewed the performance of the T. Rowe Price Retirement series and point-in-time Plan-level performance.

American Airline Case Update

The Committee members in attendance agreed to defer discussion of this item to the next meeting.

Participant Education Update

BFSG provided an update on recent and upcoming initiatives aimed at supporting participant financial wellness:

- **March 20, 2025** – BFSG conducted a live webinar titled "*Expense & Debt Management*." Of the 53 registered participants, 28 attended. The session was recorded and provided to SCAQMD HR for internal distribution.
- **April 2025** – In recognition of Financial Literacy Month, BFSG launched a short video series focused on foundational financial topics such as budgeting, saving strategies, investing basics, credit management, and debt reduction. The series was designed to be concise and broadly accessible.
- **July 2025** – BFSG will host its annual *National Summer Webinar Series*, offering weekly sessions on key financial and retirement planning topics.
- **September 11, 2025** – BFSG is scheduled to present a session titled "*Retirement Income Needs*."

During the reporting period, BFSG's CFPs Keith Johnson and Sophia Liu held four one-on-one sessions with SCAQMD employees.

Quarterly Review 457 and 401(a) Plans: Ms. Braun-Ward provided a quarterly update on the 457(b) Plan for the period ending March 31, 2025. Key highlights included Plan assets, participant demographics, cash flow, asset allocation, savings and deferral rates, participation trends, loan utilization, and the use of Empower's Lifetime Income Score tool.

- Participation remained strong at 75%, exceeding Empower's benchmark of 57%.
- The average contribution rate was 12.2%, well above the 7.3% benchmark.

- Money type utilization: 55% of participants contributed on a pre-tax basis, 29% to Roth, and 17% to both.
- Loan utilization is low, with only 6.3% of participants having an outstanding loan, compared to the 10.4% benchmark.
- The average account balance was \$211,000, significantly higher than Empower's \$82,000 benchmark.
- Managed accounts were introduced in March 2025, with 5 participants currently enrolled.

Empower's 401(a) Plan Review report was also shared with the Committee.

Expense Budget Account Quarterly Activity Review: The Committee reviewed the accounting activity report for the Plan Expense Budget account.

OTHER MATTERS:

Public Comments – No public comments were received.

Other Business – There was no other business.

Adjournment - The meeting adjourned at 2:08 p.m.