

BOARD MEETING DATE: January 10, 2025

AGENDA NO. 21

**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 Deferred Compensation Plans for its employees. This action is to receive and file the Deferred Compensation Plan Annual Report for Plan Year Ending June 2024 to address the Board's responsibility for monitoring the activities of the Deferred Compensation Plan Committee and ensuring the Committee carries out its fiduciary duties and responsibilities under the Committee Charter.

**COMMITTEE:** Administrative, December 13, 2024; Recommended for Approval

**RECOMMENDED ACTION:**

Receive and file Deferred Compensation Plan Annual Report for Plan Year Ending June 2024.

Wayne Natri  
Executive Officer

AJO:mm

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**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 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, the Deputy Executive Officer/Administrative and Human Resources, the Human Resources Manager over employee benefits, and the General Counsel.

Pursuant to a 5-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 2023-24 fiscal year period, the Committee placed two funds on the Watch List due to performance and management issues, updated the Target Date Model allocations, and made several changes to remove and/or replace funds in the Plans. In addition, the in-Plan Roth conversion feature for rollovers and transfers was added to the 457 Plan.

As of June 30, 2024, the Plans have:

- 1,158 participants (employees and retirees)
- Approximately \$247 million in assets
- Outperformed the 1, 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 2024.

### **Attachment**

Deferred Compensation Plan Annual Report for Plan Year Ending June 2024

# Report To The Board

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Plan Year Ending: June 2024

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 <sup>th</sup>
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

CALENDAR						
SUN	MON	TUE	WED	THU	FRI	SAT
	1	2	3	4	5	6
7	8	9	10	11	12	13
14	15	16	17	18	19	20
21	22	23	24	25	26	27
28	29	30	31			

1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31
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# Fiduciary Updates

Meeting Date	Item	Update
September 12, 2023	Watch List	Placed Metropolitan West Total Return on Watch due to underperformance and changes in management.
December 12, 2023	Watch List	Placed Hartford International Opportunities on Watch due to underperformance and changes in management.
June 14, 2024	Watch List	Removed T. Rowe Price Blue Chip Growth from Watch due to improved performance.
	Fund Search	Reviewed an analysis of potential replacement options for the Metropolitan West Total Return fund. No action was taken.
	Target Date Models - 401(a) Plan	Added the Target Date Models to the District's 401(a) Plan, effective August 28, 2024
	Target Date Models – 457(b) Plan	BFSG updated the Plan's Target Date Models in March 2024.



# Settlor Updates

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Meeting Date	Item	Update
June 14, 2024	In-Plan Roth Conversion – 457(b) Plan	The in-Plan Roth conversion feature for rollovers and transfers has been added, effective August 1, 2024.



# 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
<b>DOMESTIC</b>					
<b>STABLE VALUE</b>	<b>INTERMEDIATE CORE BOND</b>	<b>MODERATE ALLOCATION</b>	<b>LARGE VALUE</b>	<b>LARGE BLEND</b>	<b>LARGE GROWTH</b>
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
	<b>INTERMEDIATE CORE-PLUS BOND</b>		<b>MID VALUE</b>	<b>MID BLEND</b>	<b>MID GROWTH</b>
	Metropolitan West Total Return Bd I		Vanguard Selected Value Inv	Vanguard Mid Cap Index Admiral	Carillon Eagle Mid Cap Growth A
			<b>SMALL VALUE</b>	<b>SMALL BLEND</b>	<b>SMALL GROWTH</b>
			American Beacon Small Cap Value R6 Vanguard Small Cap Value Index Admiral	Vanguard Small Cap Index Adm	Fidelity Small Cap Growth K6
<b>FOREIGN</b>					
				<b>FOREIGN LARGE BLEND</b>	
				Hartford International Opportunities R5 Vanguard Developed Markets Index Admiral	
					<b>FOREIGN SMALL/MID GROWTH</b>
					MFS International New Discovery A
				<b>DIVERSIFIED EMERGING MKTS</b>	
				Vanguard Emerging Mkts Stock Idx Adm	
<b>SPECIALTY</b>					
			<b>UTILITIES</b>	<b>REAL ESTATE</b>	<b>HEALTH</b>
			Vanguard Utilities Index Adm	Vanguard Real Estate Index Admiral	Vanguard Health Care Index Admiral
<b>ALLOCATION</b>					
		<b>TARGET DATE SERIES</b>			
		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.

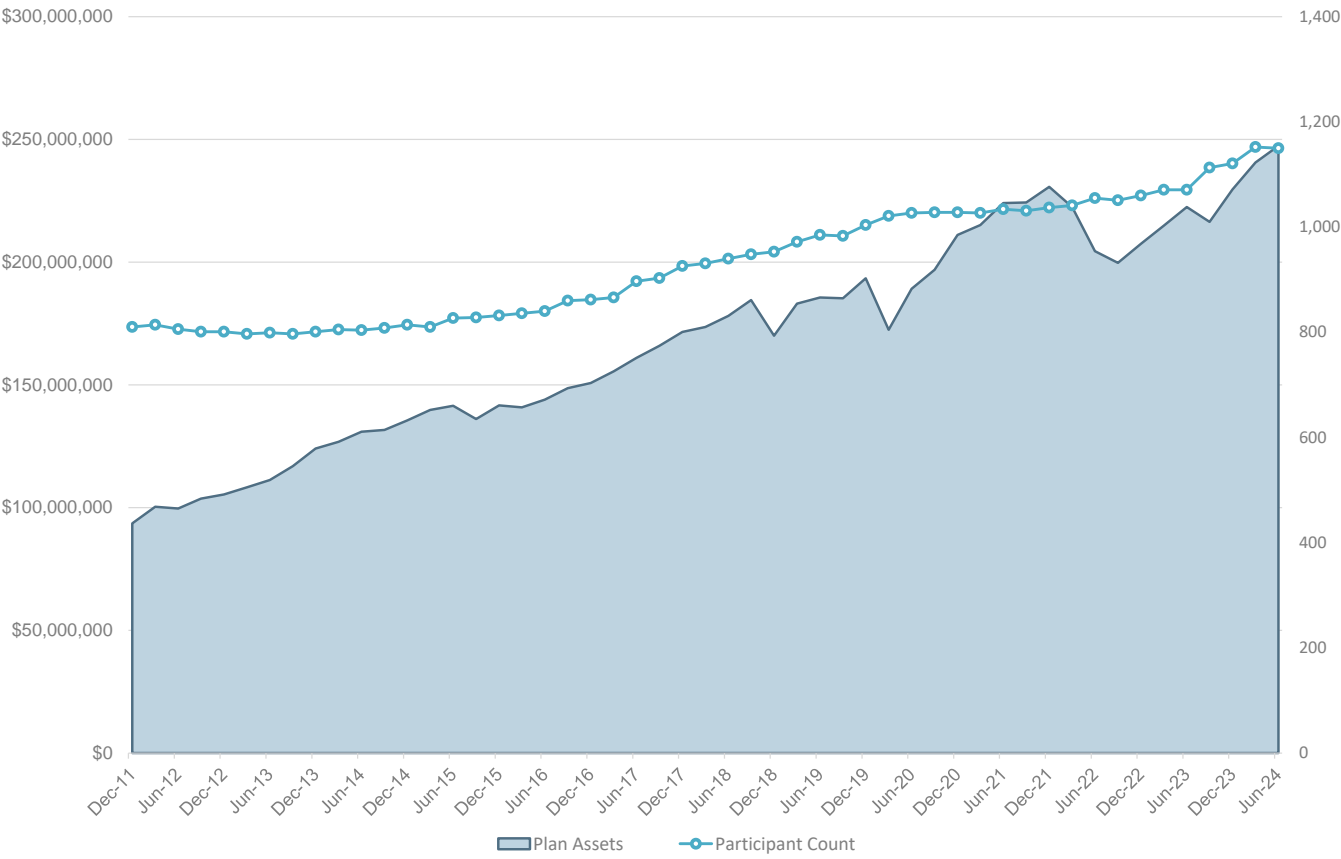
# Asset Allocation by Fund

Investment Option	2Q 2024	% of Assets	# of Balances
<b>Guaranteed Interest Account</b>	\$80,017,507	32.47%	644
<b>Vanguard Institutional Index I</b>	\$39,838,358	16.16%	470
<b>T. Rowe Price Blue Chip Growth I</b>	\$34,160,008	13.86%	520
<b>Hartford Dividend and Growth R5</b>	\$11,007,464	4.47%	426
T. Rowe Price Retirement 2045 I	\$6,837,073	2.77%	90
<b>Carillon Eagle Mid Cap Growth A</b>	\$6,664,086	2.70%	393
<b>Hartford International Opportunities R5</b>	\$6,172,094	2.50%	410
T. Rowe Price Retirement 2035 I	\$5,520,141	2.24%	50
American Funds American Balanced R6	\$5,130,648	2.08%	114
<b>Vanguard Total Bond Market Index Adm</b>	\$4,729,832	1.92%	281
<b>Metropolitan West Total Return Bd I</b>	\$4,147,962	1.68%	313
<b>Vanguard Mid Cap Index Admiral</b>	\$4,048,674	1.64%	267
<b>Vanguard Selected Value Inv</b>	\$3,778,995	1.53%	349
<b>Fidelity Small Cap Growth K6</b>	\$3,615,622	1.47%	346
Vanguard FTSE Social Index Admiral	\$3,584,597	1.45%	88
Vanguard Health Care Index Admiral	\$3,130,770	1.27%	107
<b>Vanguard Developed Markets Index Admiral</b>	\$2,539,776	1.03%	210
<b>Vanguard Small Cap Index Adm</b>	\$2,331,401	0.95%	234
T. Rowe Price Retirement 2040 I	\$2,243,503	0.91%	34
<b>American Beacon Small Cap Value R6</b>	\$2,102,805	0.85%	327
<b>MFS International New Discovery A</b>	\$1,834,830	0.74%	203
T. Rowe Price Retirement 2050 I	\$1,808,210	0.73%	45
T. Rowe Price Retirement 2055 I	\$1,764,595	0.72%	51
T. Rowe Price Retirement 2060 I	\$1,541,545	0.63%	70
Vanguard Small Cap Value Index Admiral	\$1,429,347	0.58%	47
Vanguard Utilities Index Adm	\$1,328,942	0.54%	86
T. Rowe Price Retirement 2025 I	\$1,092,216	0.44%	22
T. Rowe Price Retirement 2030 I	\$1,086,311	0.44%	18
<b>DFA US Large Cap Value I</b>	\$861,509	0.35%	166
<b>Vanguard Emerging Mkts Stock Idx Adm</b>	\$847,643	0.34%	155
Vanguard Real Estate Index Admiral	\$840,287	0.34%	64
T. Rowe Price Retirement 2065 I	\$198,140	0.08%	18
T. Rowe Price Retirement 2020 I	\$184,433	0.07%	7
T. Rowe Price Retirement 2015 I	\$28,874	0.01%	5
T. Rowe Price Retirement 2010 I	\$12,643	0.01%	4
T. Rowe Price Retirement 2005 I	\$8,042	0.00%	6
<b>Subtotal</b>	<b>\$246,468,883</b>	<b>100.00%</b>	<b>1,158</b>
Self-Directed Brokerage Account	\$928,655		
<b>Total</b>	<b>\$247,397,538</b>		
<b>Total # of Participants</b>	<b>1,158</b>		
<b>Average Account Balance</b>	<b>\$213,642</b>		

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

Note: Personal Choice Retirement Account had 18 balances as of quarter end.

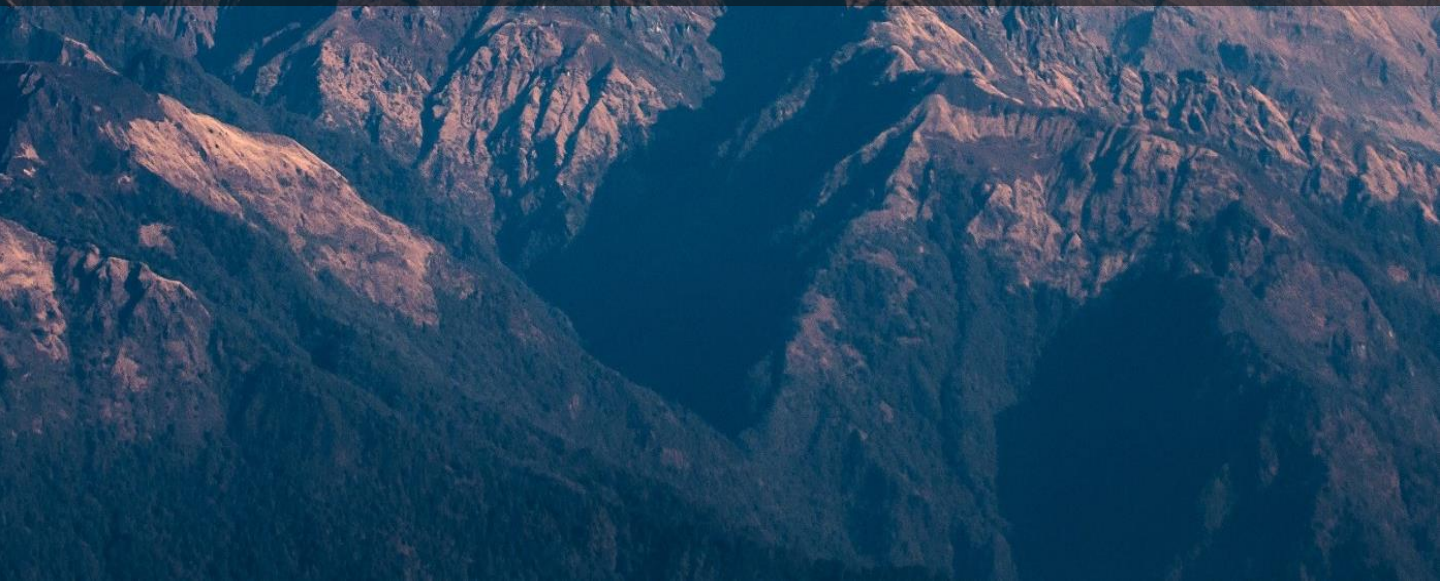
# Growth of Plan Assets





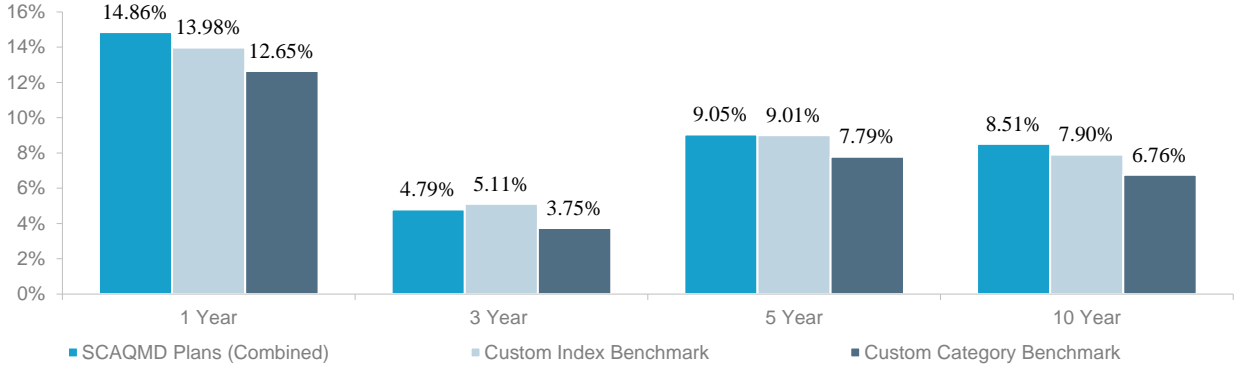
# Plan Performance / Cost

Section 4

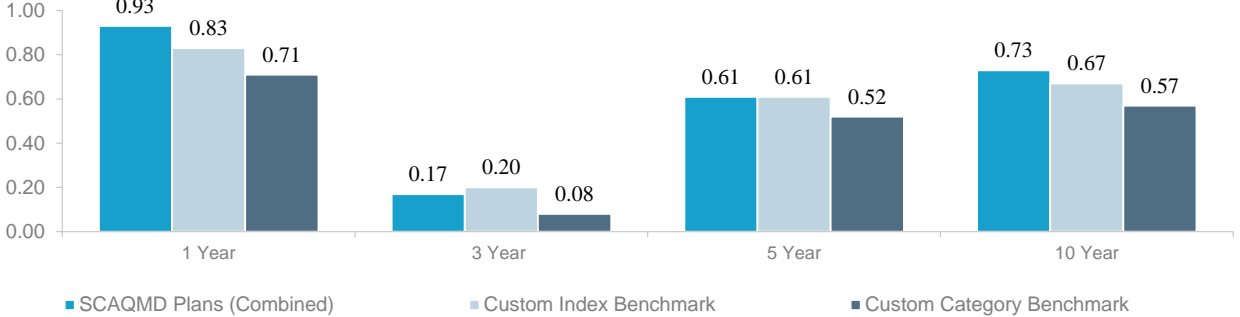


# Portfolio Return vs. Custom Benchmark

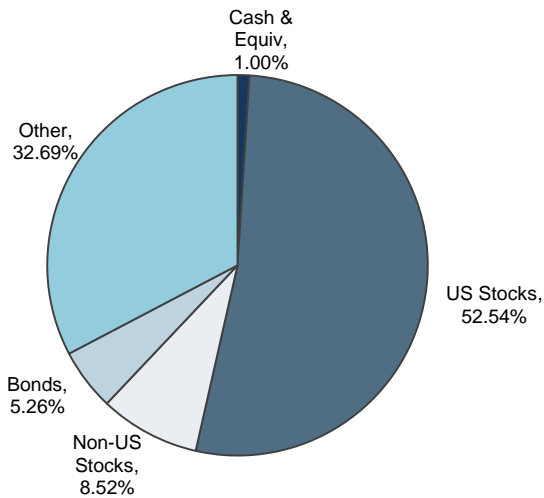
## Annualized Returns



## Sharpe Ratio



## Current Quarter



## Benchmark Weightings

Index	Category	Weight
BFSG Custom Stable Value	Stable Value	32.47%
Bloomberg US Agg Float Adj TR USD	Intermediate Core Bond	1.92%
Bloomberg US Agg Bond TR USD	Intermediate Core-Plus Bond	1.68%
40% BC Agg - 60% S&P 500	Moderate Allocation	2.08%
Russell 1000 Value TR USD	Large Value	0.35%
Russell 1000 Value TR USD	Large Value	4.47%
S&P 500 TR USD	Large Blend	1.45%
S&P 500 TR USD	Large Blend	16.16%
Russell 1000 Growth TR USD	Large Growth	13.86%
Russell Mid Cap Value TR USD	Mid Value	1.53%
CRSP US Mid Cap TR USD	Mid Blend	1.64%
Russell Mid Cap Growth TR USD	Mid Growth	2.70%
Russell 2000 Value TR USD	Small Value	0.85%
CRSP US Small Cap Value TR USD	Small Value	0.58%
CRSP US Small Cap TR USD	Small Blend	0.95%
Russell 2000 Growth TR USD	Small Growth	1.47%
MSCI ACWI Ex USA NR USD	Foreign Large Blend	2.50%
FTSE Dvlp ex US All Cap(US RIC)NR USD	Foreign Large Blend	1.03%
MSCI ACWI Ex USA Small Growth NR USD	Foreign Small/Mid Growth	0.74%
FTSE EMs AC China A Incl (US RIC) NR USD	Diversified Emerging Mkts	0.34%
MSCI US IMI/Health Care 25-50 GR USD	Health	1.27%
Real Estate Spliced Index	Real Estate	0.34%
MSCI US IMI/Utilities 25-50 GR USD	Utilities	0.54%
S&P Target Date Series	Target Date Series	9.06%

# Evaluation Methodology

Per Investment Policy Statement

## Returns (40%)

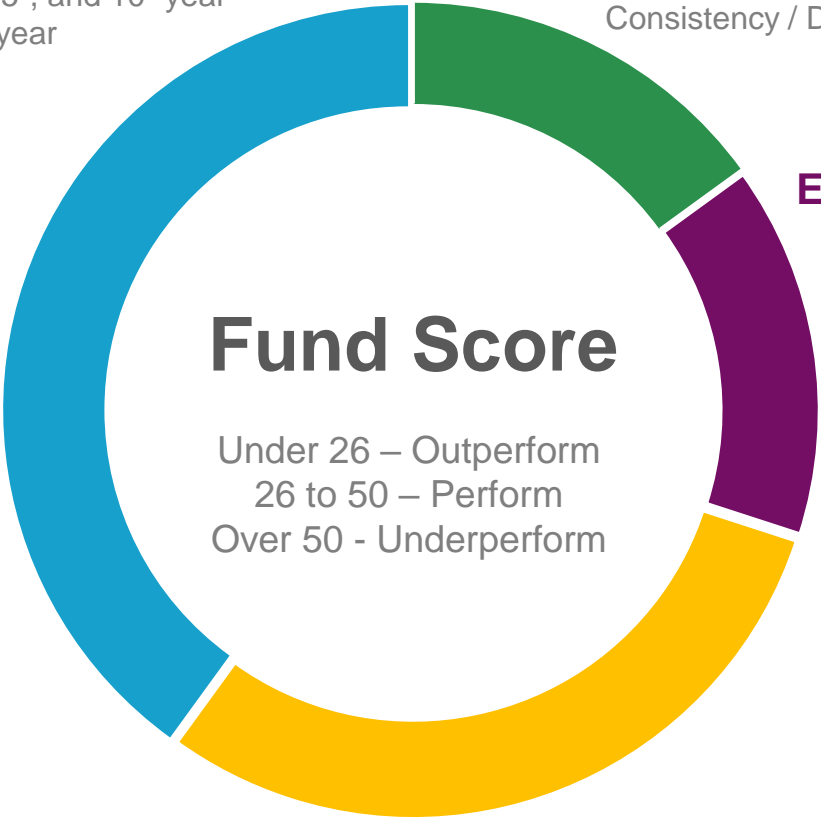
Trailing 3-, 5-, and 10- year  
Rolling 10-year

## Style (15%)

R<sup>2</sup>  
Credit Quality  
Consistency / Dispersion

## Expense (15%)

Net Expense Ratio



## 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			
	2Q24	1Q24	4Q23	3Q23
<b>Intermediate Core-Plus Bond</b>				
Metropolitan West Total Return Bond Fund	63	64	61	65
<b>Moderate Allocation</b>				
American Funds American Balanced Fund	17	15	15	17
<b>Large Value</b>				
DFA US Large Cap Value Portfolio	39	38	39	32
Hartford Dividend and Growth Fund	5	6	4	5
<b>Large Blend</b>				
Vanguard FTSE Social Index Fund	5	6	6	8
<b>Large Growth</b>				
T. Rowe Price Blue Chip Growth Fund	29	37	43	45
<b>Mid Value</b>				
Vanguard Selected Value Fund	11	10	8	19
<b>Mid Growth</b>				
Carillon Eagle Mid Cap Growth Fund	13	6	9	13
<b>Small Value</b>				
American Beacon Sm Cap Val Fd	30	30	25	20
<b>Small Growth</b>				
Fidelity Small Cap Growth Fund	3	3	7	17
<b>Foreign Large Blend</b>				
Hartford International Opportunities Fd	50	61	60	61
<b>Foreign Small/Mid Growth</b>				
MFS International New Discovery Fund	38	38	50	53
<b>Target Date Series</b>				
T. Rowe Price Retirement Series	28	27	20	11
<b>Average Rank</b>	25	26	27	28
<b>Plan Weighted Rank (Reweighted)</b>	25	27	28	28



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.



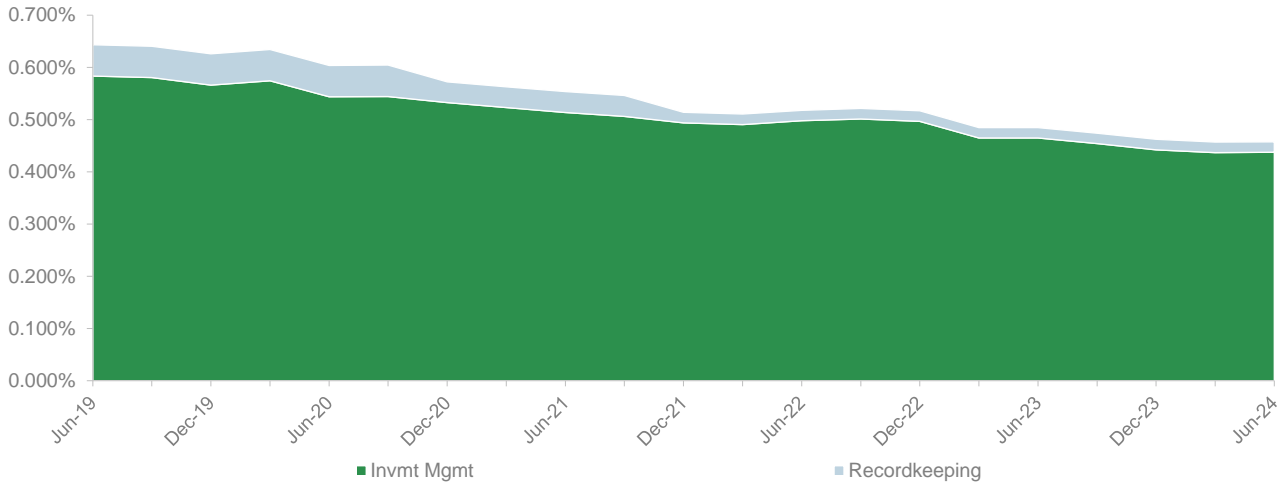
# Fee Breakdown & Recordkeeping Costs

	Plan Assets 06/30/2024	Total Plan Expense (%) <sup>2</sup>	Total Plan Expense (\$)	Revenue to Invmt. Mgmt. (\$)	Revenue to RK / Admin. (Vendor)
<b>South Coast Air Quality Management District Retirement Savings Plan</b>	<b>\$246,468,883</b>	<b>0.458%</b>	<b>\$1,127,690</b>	<b>\$1,078,396</b>	<b>\$49,294</b>
				<b>0.438%</b>	<b>0.020%</b>
<i>Industry Average</i> <sup>1</sup>		0.511%	\$1,258,465		

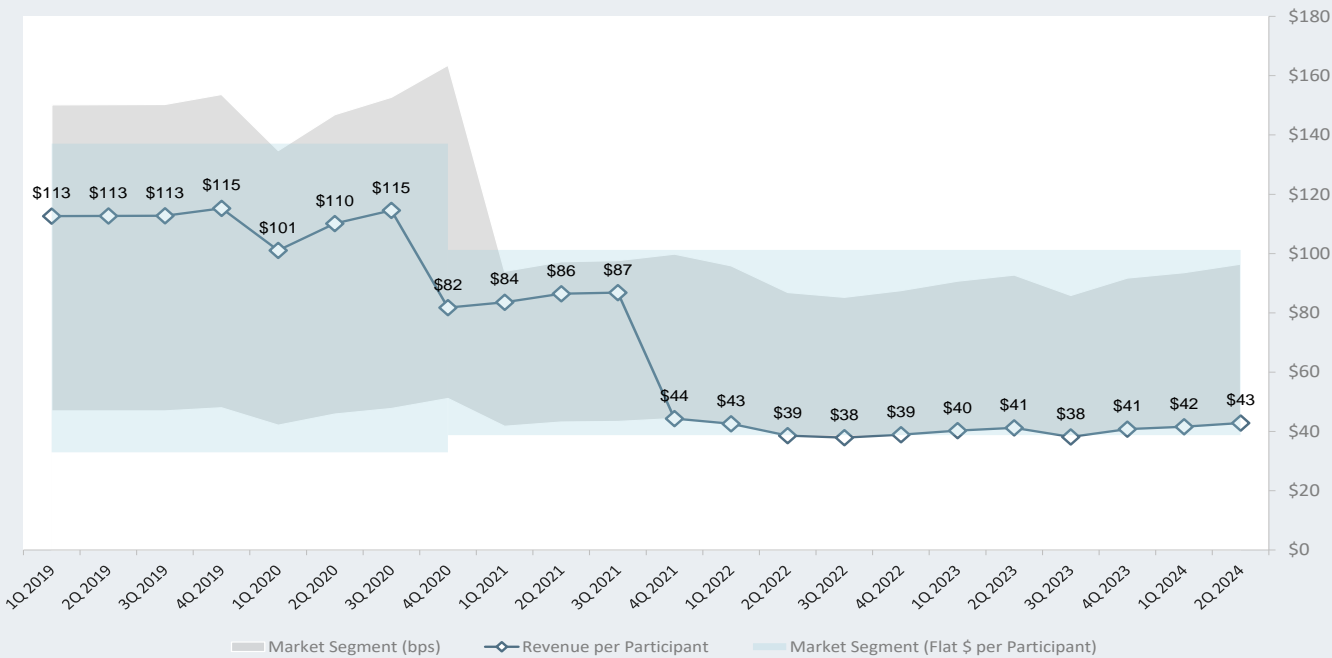
<sup>1</sup>The Industry Average represents the weighted expense (based upon current allocation) of lowest cost Institutional and Retirement share classes in each asset category from Morningstar, plus the benchmark revenue requirement.

<sup>2</sup>Total Plan Expense does not include additional qualified Plan expenses or transaction costs.

## Investment Management and Recordkeeping Costs



## Recordkeeping Fee on a Per Participant Basis



A high-angle photograph of a wooden desk. In the upper left, a white ceramic mug is filled with dark coffee. To its right, a branch of holly with vibrant red berries and green leaves is visible. In the lower right, a red pen with silver accents lies on a white sheet of paper. A semi-transparent grey banner is overlaid across the middle of the image, containing the text 'Appendix' and 'Section 5'.

# Appendix

## Section 5



South Coast  
AQMD

# South Coast Air Quality Management District

21865 Copley Drive, Diamond Bar, CA 91765  
(909) 396-2000, [www.aqmd.gov](http://www.aqmd.gov)

MEETING DATE: September 12, 2023

REPORT: Deferred Compensation Plan Committee

SYNOPSIS: The Deferred Compensation Plan Committee met on September 12, 2023, at 11:18 a.m.  
The following is a summary of that meeting.

RECOMMENDED ACTION:  
Receive and file.

A. John Olvera, Chair  
Deferred Compensation Plan

AJO:RH:tc

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### **Committee Members Present**

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

### **Committee Members Absent**

Sujata Jain - Chief Financial Officer

### **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 11:18 am.

**Approval of Prior Meeting Minutes:** The Committee members in attendance approved the minutes of the meeting held on June 21, 2023.

## **FIDUCIARY AGENDA**

**457 and 401(a) Plans Quarterly Investment Review – 2<sup>nd</sup> Quarter 2023:** 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 “Plans”) for the quarter ending June 30, 2023.

The Committee reviewed fees paid to Empower for recordkeeping and administration of the District’s Plans. 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 \$26,000.

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

*Metropolitan West Total Return Bond* - The fund’s Evaluation Methodology rank declined from 59 to 63 during the quarter. While the fund is underperforming the peer group over longer term periods, the portfolio is outperforming the Bloomberg Aggregate Bond Index. A longer portfolio duration than category peers continued to negatively impact relative performance during the quarter as interest rates rose, particularly in the shorter end of the yield curve. Issued selection in large banks and communications companies contributed positively relative to the benchmark index. Considering short-term underperformance relative to the benchmarks and upcoming changes in fund management, BFSG proposed placing the fund on the Watch List. The Committee members in attendance agreed.

*T. Rowe Price Blue Chip Growth* was placed on the Watch List in September 2022 due to underperformance and a manager change. Performance improved significantly during the quarter and over the one-year period. The fund’s growth investment style was the primary reason for the underperformance in 2022 as growth strategies struggled that year. The fund also posted competitive returns on a year-to-date basis. After discussion, the Committee members in attendance agreed to keep the fund on the Watch List pending further performance improvements.

*Hartford International Opportunities Fund* – An overweight to China negatively impacted performance over the 1-and 3-year periods. BFSG noted that the fund’s long-term manager is retiring in mid-2024. No action was recommended at this time.

*MFS International New Discovery* was placed on the Watch List in September of 2021 due to changes in management. The fund's conservative style was one of the major reasons for its recent underperformance. It is designed to perform well in down markets as illustrated by its strong down-market ratio. During the quarter, performance was negatively impacted by an overweight to materials coupled with an overweight to China. The fund outperformed its category peers over the 3-year period while maintaining lower volatility compared to its peers. After discussion, the Committee members in attendance agreed to keep the fund on the Watch List.

*Hartford Healthcare* is scheduled to be replaced by Vanguard Health Care Index on September 18, 2023.

*The T. Rowe Price Retirement series* outperformed the benchmark indexes and respective peer groups during the quarter. BFSG noted an upcoming addition of Hedged Equity and Dynamic Credit for portfolios starting ten years to retirement in the third quarter of 2023. The intent of these additions is to dampen volatility for those participants closest to retirement.

Other areas reviewed included the performance of the Target Date Models, and point-in-time Plan-level performance.

**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.

**BFSG Participant Education Update:** BFSG updated the Committee on the upcoming webinar, Understanding How to Diversify Your Retirement Account. As of the date of the meeting, BFSG's Certified Financial Planner, Keith Johnson had a total of 22 one-on-one consultations and delivered 3 financial plans.

#### **SECURE Act 2.0 Update**

On August 25, 2023, the IRS announced a two-year postponement for the implementation of the Roth catch-up provision under SECURE Act 2.0. This provision would have impacted participants with an income exceeding \$145,000 in the preceding year and required all impacted participants catch-up contributions be made on a Roth basis. The guidance also addressed the technical error that would have eliminated all catch-up contributions beginning in 2024.

### **SETTLOR AGENDA**

**Quarterly Review 457 and 401(a) Plans:** Ms. Braun-Ward presented the 457(b) Plan Review report for the quarter ending June 30, 2023. Areas reviewed included Plan assets, demographics, cash flow, asset allocation, and loan utilization. Ms. Braun-Ward discussed each section in the Plan Review in detail.

Empower's 401(a) Plan Review report was also reviewed. As of the end of the reporting period, Plan assets totaled \$1,029,292, representing 81 participants with a balance.

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

### **OTHER MATTERS:**

**Public Comments** – There were no public comments.

**Other Business** – There was no other business.

**Adjournment** - The meeting adjourned at 12:12 p.m.



# South Coast Air Quality Management District

21865 Copley Drive, Diamond Bar, CA 91765  
(909) 396-2000, [www.aqmd.gov](http://www.aqmd.gov)

MEETING DATE: December 12, 2023

REPORT: Deferred Compensation Plan Committee

SYNOPSIS: The Deferred Compensation Plan Committee met on December 12, 2023, at 10:05 a.m.  
The following is a summary of that meeting.

RECOMMENDED ACTION:  
Receive and file.

A. John Olvera, Chair  
Deferred Compensation Plan

AJO:RH:tc

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**Committee Members Present**

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

**Committee Members Absent**

None

**Guests**

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

**Call to Order:** Chair Olvera called the meeting to order at 10:05 am.

**Approval of Prior Meeting Minutes:** The Committee approved the minutes of the meeting held on September 12, 2023, as written. Ms. Jain abstained due to her absence at the last meeting.

**Addition to the Agenda:** Mr. Olvera noted that the Annual Board report was revised to incorporate the addition of Management to the 401(a) Plan effective January 1, 2023.

**FIDUCIARY AGENDA**

**457 and 401(a) Plans Quarterly Investment Review – 3<sup>rd</sup> Quarter 2023:** The Committee 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 “Plans”) for the quarter ending September 30, 2023.

The Committee reviewed fees paid to Empower for recordkeeping and administration of the District’s Plans. 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 approximately \$22,000.

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

*Metropolitan West Total Return Bond* was placed on the Watch List in September 2023 - The fund’s Evaluation Methodology rank declined from 63 (“underperform”) to 65 (“underperform”) during the quarter as the portfolio underperformed the peer group by more than 30 basis points. Performance now trails the peer group average over all periods noted in the Report, though the fund still outperforms the Bloomberg Aggregate Bond Index over 5- and 10-year periods. An overweight to duration continued to detract from relative performance during the quarter as interest rates rose. Positioning within agency MBS, an area of emphasis for the fund, also detracted from relative results. After further discussion, the Committee agreed to keep the fund on the Watch List.

*T. Rowe Price Blue Chip Growth* was added to the Watch List in September 2022 due to underperformance and a manager change. In the June 2023 meeting, the Committee reviewed a Fund Search analysis and decided to retain the fund on the Watch List. Contributors to recent performance included an underweight to consumer staples and an overweight to communication services. Strong stock selection in healthcare also had a positive impact. Despite historically underperforming in down markets based on its down capture ratio, the fund outperformed during the quarter. Considering its underperformance over the 3-year period, the Committee agreed to maintain the fund on the Watch List.



*Hartford International Opportunities Fund* experienced short-term underperformance against both benchmarks, both in up- and down-markets. Poor stock selection in consumer staples and a growth-oriented portfolio were primary factors in this recent performance downturn. Additionally, the fund faces uncertainty as the long-term manager plans to retire in June 2024. His comanager, Tara Stilwell will assume sole decision making at the end of 2023. While she has been on the fund since 2010, her primary focus was mentoring the dedicated analyst team rather than day-to-day portfolio decisions. Given the underperformance and the upcoming management transition, the Committee agreed to place the fund on the Watch List.

*MFS International New Discovery* was added to the Watch List in September 2021 following management changes. Despite the initial concerns, the fund has demonstrated competitive performance over the short term. Notably, it serves as a strong downside protector in the Plan, evident in its down-capture ratio. Strong stock selection within the portfolio has contributed to its recent performance. The Committee agreed to keep the fund on the Watch List.

*Hartford Healthcare* was replaced with Vanguard Health Care Index on September 18, 2023.

The current versions of the *T. Rowe Price Retirement Series* funds utilized by the Plan are technically separate funds from the retail versions even though they have the same managers, strategy and allocations. In February 2024, T. Rowe Price will be closing the current versions and merging them with a new I share class of the retail versions. The merger will not affect pricing, strategy, management, or allocation and will provide the ability to analyze the funds over longer periods.

During the discussion on Target Date Models, BFSG addressed forthcoming changes. These updates encompass minor allocation adjustments across each asset class. Among notable adjustments, there is a reduction in the capital preservation category, coupled with a corresponding addition to the fixed income category.

The Committee reviewed point-in-time Plan-level performance.

**BFSG Participant Education Update:** On November 28, 2023, BFSG conducted 4<sup>th</sup> quarterly webinar for District employees, titled “Year-End Tax Planning.” Following the session’s completion, the webinar recording was provided to Human Resources.

As of the date of this meeting, BFSG’s Certified Financial Planner, Keith Johnson, conducted a total of 29 one-on-one consultations and delivered 5 comprehensive financial plans.

BFSG also presented a recap of the recently concluded Fall Webinar series, which took place from October 26, 2023, through November 16, 2023. The series covered a diverse range of retirement planning-related topics and received substantial attendance from District employees. The Committee received the attendance report and the webinar replay links prior to this meeting.

**Quarterly Review 457 and 401(a) Plans:** Ms. Braun-Ward presented a comprehensive 457(b) Plan Review report for the quarter ending September 30, 2023. 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. Ms. Braun-Ward provided detailed insights into each section of the Plan Review during her presentation.

Additionally, Ms. Braun-Ward discussed Empower’s Money in Motion report, offering insights into rollovers both into and out of the Plan throughout the 2023 year.

The Committee revisited the prior discussion regarding the potential inclusion of Empower’s point-in-time fiduciary advice and managed accounts service to the Plan. This consideration stemmed from a previous decision influenced by a lawsuit filed against Empower last year, specifically related to the vendor’s managed accounts. In the latest update, Empower informed the Committee that the lawsuit had been recently dismissed and committed to providing official confirmation of the dismissal.

Subject to the verification of the lawsuit dismissal, the Committee agreed to further explore the potential addition of Empower’s point-in-time fiduciary advice and managed accounts service at the upcoming meeting.

Empower's 401(a) Plan Review report was also presented to the Committee. As of the end of the reporting period, Plan assets totaled \$1,089,139, representing 84 participants with a balance.

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

**SETTLOR AGENDA**

None

**OTHER MATTERS:**

**Public Comments** – There were no public comments.

**Other Business** – There was no other business.

**Adjournment** - The meeting adjourned at 11:24 a.m.



South Coast  
AQMD

# South Coast Air Quality Management District

21865 Copley Drive, Diamond Bar, CA 91765  
(909) 396-2000, [www.aqmd.gov](http://www.aqmd.gov)

MEETING DATE: March 5, 2024

REPORT: Deferred Compensation Plan Committee

SYNOPSIS: The Deferred Compensation Plan Committee met on March 5, 2024, at 10:35 a.m. The following is a summary of that meeting.

RECOMMENDED ACTION:  
Receive and file.

A. John Olvera, Chair  
Deferred Compensation Plan

AJO:RH:tc

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**Committee Members Present**

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

**Committee Members Absent**

None

**Guests**

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

**Call to Order:** Chair Olvera called the meeting to order at 10:35 am.

**Approval of Prior Meeting Minutes:** The Committee approved the minutes of the meeting held on December 12, 2023, as written.

**FIDUCIARY AGENDA**

**457 and 401(a) Plans Quarterly Investment Review – 4<sup>th</sup> Quarter 2023:** The Committee 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 “Plans”) for the quarter ending December 31, 2023.

The Committee reviewed fees paid to Empower for recordkeeping and administration of the District’s Plans. 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 approximately \$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 Plans’ Investment Policy Statement (the “IPS”).

*Metropolitan West Total Return Bond* was placed on the Watch List in September 2023 - With a significant decline in intermediate- and long-term interest rates during the quarter, the fund’s longer duration positioning led to the outperformance of the Bloomberg US Aggregate Index and its category peers. The fund’s overweight to agency and non-agency mortgage-backed securities was also additive as spreads tightened in November and December. The Evaluation Methodology ranking improved from 65 to 61 during the quarter. Performance over the 5- and 10-year periods continued to outpace the Bloomberg US Aggregate Index but trailed the peer group. After discussion, the Committee agreed to maintain the fund on the Watch List.

*T. Rowe Price Blue Chip Growth* was added to the Watch List in September 2022 due to underperformance and a manager change. In the June 2023 meeting, the Committee reviewed a Fund Search analysis and decided to retain the fund on the Watch List. The recent Report illustrated improved performance both during the quarter and over the one-year period. The fund employs a pure growth approach and avoids most traditional value sectors such as utilities, consumer staples, and real estate, which detracted from performance in 2022 but was a large tailwind in 2023. Following thorough discussion, the Committee agreed to maintain it on the Watch List to monitor for further performance improvement.

*Hartford International Opportunities* was placed on the Watch List in December 2023 due to underperformance and the impending management change. Despite outperforming both the index benchmark and category peers

over the quarter, it underperformed over the one- and three-year periods. This underperformance was primarily attributed to the portfolio's growth tilt, as foreign growth strategies lagged their value counterparts until the fourth quarter of 2023. A new manager took over stock selection at the beginning of 2024 although the previous manager will remain on the fund for the first half of the year. Throughout the quarter, strong overall stock selection was offset by poor selection in healthcare, specifically biotech and medical device stocks. Following a thorough discussion, the Committee agreed to maintain the fund on the Watch List to closely monitor its performance under the new management.

*MFS International New Discovery* was added to the Watch List in September 2021 after experiencing management changes. Known for its defensively structured portfolio, the fund typically exhibits lower volatility compared to its peers. Despite outperforming the index benchmark over the quarter, it slightly lagged its category peers. This was attributed to a high cash position and an overweight to consumer staples, which detracted from recent performance. Stock selection was a positive contributor during the quarter, particularly led by consumer discretionary stocks. After thorough discussion, the Committee agreed to maintain the fund on the Watch List for ongoing monitoring.

As previously discussed, the current versions of the *T. Rowe Price Retirement Series* funds utilized by both Plans are technically separate funds from the retail versions even though they have the same managers, strategy and allocations. In February 2024, T. Rowe Price closed the current versions and merged them with a new I share class of the retail versions. The merger did not affect pricing, strategy, management, or allocation and will provide the ability to analyze the funds over longer periods.

During the discussion on Target Date Models, BFGS noted that the allocation changes reviewed at the prior meeting were not approved by Empower. This was due to restrictions related to the Guaranteed Interest Account. BFGS has since provided Empower with the revised allocation adjustments and is currently awaiting Empower's approval and implementation of the changes.

As allocated by participants on December 31, 2023, the Plans slightly trailed the custom index benchmark over the 3-year period. Though, the index benchmark does not include investment fees. Over all other time periods, the Plans outperformed both the custom active and passive benchmarks.

**Discussion and 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. To facilitate the discussion, Mr. Savageau and Ms. Leao highlighted the benefits of incorporating these services into the Plans. This was followed by a demonstration of the advisory services web tool.

During the discussion, Mr. Savageau emphasized that Empower's advisory service and access to point-in-time fiduciary advice would need to be added as a package; the District cannot selectively choose one of these services. He also provided an overview of the fee structure associated with managed accounts.

BFGS underscored that adding these services and subsequent monitoring constitute fiduciary decisions, clarifying that advising on whether to include these services falls outside of BFGS's scope of services.

Following a comprehensive discussion, the Committee reached a consensus to revisit this topic at the next scheduled meeting, allowing for further deliberation and consideration of the implications before making a final decision.

**BFGS Participant Education Update:** BFGS shared a finalized educational calendar for the 2024 year. The scheduled live webinars cover a range of topics, including Behavioral Finance, Retirement Income Needs, Expense and Debt Management, and Charitable Gift Giving Strategies. These webinars are scheduled for March 14, May 15, August 22, and November 21, 2024, respectively. A recording of each webinar will be provided to the District's HR.

**Quarterly Review 457 and 401(a) Plans:** Ms. Braun-Ward briefly reviewed the 457(b) Plan Review report for the quarter ending December 31, 2023. 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.

**SETTLOR AGENDA**

None

**OTHER MATTERS:**

**Public Comments** – There were no public comments.

**Other Business** – There was no other business.

**Adjournment** - The meeting adjourned at 12:35 p.m.



# South Coast Air Quality Management District

21865 Copley Drive, Diamond Bar, CA 91765  
(909) 396-2000, [www.aqmd.gov](http://www.aqmd.gov)

MEETING DATE: June 14, 2024

REPORT: Deferred Compensation Plan Committee

SYNOPSIS: The Deferred Compensation Plan Committee met on June 14, 2024, at 11:30 a.m. The following is a summary of that meeting.

RECOMMENDED ACTION:  
Receive and file.

A. John Olvera, Chair  
Deferred Compensation Plan

AJO:RH:tc

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**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 Muñoz, BFSG  
Lisa Braun-Ward, Empower Retirement (“Empower”)

**Call to Order:** Chair Olvera called the meeting to order at 11:35 am.

**Approval of Prior Meeting Minutes:** The Committee members in attendance approved the minutes of the meeting held on March 5, 2024, as written.

**FIDUCIARY AGENDA**

**457 and 401(a) Plans Quarterly Investment Review – 1<sup>st</sup> 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 March 31, 2024.

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’ Investment Policy Statement (the “IPS”).

*Metropolitan West Total Return Bond* was placed on the Watch List in September 2023 – Following a short-term rebound in performance during the fourth quarter of 2023, the fund underperformed its index and peers during the first quarter. The portfolio’s overweight duration position was the main detractor during the quarter as yields moved higher. Consistent with its view that the economy will begin to weaken, fund management has maintained an underweight to credit, which continued to detract from performance as spreads tightened. Performance trails the peer group over all measured periods and its Evaluation Methodology rank declined from 61 to 64. The Committee members in attendance agreed to maintain the fund on the Watch List, pending review of a Fund Search later in the meeting.

*T. Rowe Price Blue Chip Growth* was added to the Watch List in September 2022 due to underperformance and a manager change. In the June 2023 meeting, the Committee reviewed a Fund Search analysis and decided to retain the fund on the Watch List. Over the recent quarter and one-year period, the fund has shown significant improvement in its performance, consistently outperforming both the index benchmark and its category peers. Its overall Evaluation Methodology ranking score has also seen improvement since it was placed on the Watch List. Stock selection in the technology sector, most notably an underweight to Apple and an overweight to Nvidia, was a major contributor to performance during the quarter. Given the notable improvement in performance, the Committee members in attendance agreed to remove the fund from the Watch List.

*Hartford International Opportunities* was placed on the Watch List in December 2023 due to underperformance and a manager change. The fund's growth tilt was a benefit to performance over the last few quarters. During the reporting period, major contributors were an overweight to technology and an underweight to real estate.



The fund has outperformed its peers since the new manager took over in December 2023. BFSG brought a Fund Search with potential replacement options for the Committee's consideration. However, considering the fund's strong performance, the Committee members in attendance agreed to keep it on the Watch List to monitor performance under new management, deeming a review of the Fund Search unnecessary.

*MFS International New Discovery* has been on the Watch List since September 2021 due to management changes. In the September 2022 meeting, the Committee reviewed a Fund Search analysis and decided to retain the fund on the Watch List. Known for its defensively structured portfolio, the fund typically exhibits significantly lower volatility compared to its peers and performed competitively in recent down markets. During the reporting period, poor stock selection in industrials detracted from performance. The Committee members in attendance agreed to keep the fund on the Watch List to closely monitor its performance.

Other areas reviewed included 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 updated in late-March 2024.

**In-Plan Roth Conversion Feature:** The Committee discussed the possible addition of a Roth conversion feature to the 457(b) Plan. This feature would allow both active and terminated employees to convert their pre-tax money into a Roth source within the Plan. Ms. Braun-Ward highlighted the benefits, including potential tax-free growth and tax-free withdrawals in retirement, providing tax diversification. However, the amount converted is subject to federal income tax in the year of conversion. Empower's call center and website will inform employees of the tax consequences. Considering employee interest, the Committee members in attendance agreed to add the in-Plan Roth conversion feature for rollovers and transfers.

**Fund Search Analysis:** For the Committee's consideration, BFSG prepared a Fund Search consisting of current options and available alternatives in the Intermediate Core-Plus category, including the current option, Metropolitan West Total 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.

BFSG discussed the fund performance in detail, noting that the Metropolitan West Total Bond fund underperformed its peers on a year-to-date basis. After thorough consideration, the Committee members in attendance agreed to keep the fund on the Watch List and to revisit the Fund Search for this category at the next meeting.

**Target Date Models:** The Committee members in attendance agreed to add the Target Date Models to the District's 401(a) Plan.

**Discussion and 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. After discussion, the Committee members in attendance asked Ms. Braun-Ward to bring additional demographics data to the next meeting for the Committee's consideration.

**BFSG Participant Education Update:** On March 14, 2024, BFSG conducted a webinar for District employees titled "Behavioral Finance," which was attended by 39 employees. Another webinar titled "Retirement Income Needs" was held on May 15, 2024, with 40 employees in attendance. The next webinar, "Expense & Debt Management," is scheduled for August 22, 2024. As of the date of this meeting, BFSG's Certified Financial Planner, Keith Johnson, has conducted 17 one-on-one consultations and delivered 6 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 March 31, 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.

**SETTLOR AGENDA**

None

**OTHER MATTERS:**

**Public Comments** – There were no public comments.

**Other Business** – There was no other business.

**Adjournment** - The meeting adjourned at 1:50 p.m.