

BOARD MEETING DATE: January 5, 2024

AGENDA NO. 10

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. The Deferred Compensation Plan Annual Report for Plan Year Ending June 2023 is submitted 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. This action is to receive and file the Annual Report.

COMMITTEE: No Committee Review

RECOMMENDED ACTION:
Receive and file.

Wayne Natri
Executive Officer

AJO:mm

Background

South Coast AQMD sponsors and administers 457(b), 401(a) and Omnibus Budget Reconciliation Act of 1990 (OBRA) Deferred Compensation Plans for its employees. The Deferred Compensation Plans, which include the 457(b), 401(a) and OBRA plans, are administered by Empower Retirement, LLC (Empower), one of the largest workplace retirement savings plan providers in the United States. State law governs the fiduciary requirements for the operation and investment of 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. On May 2, 2008, the Board approved the Committee Charter, formalizing the fiduciary duties and responsibilities of the Committee. The four members of the 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 2022-23 fiscal year period, the Committee placed one fund on the Watch List due to short-term underperformance and a change in management, updated the Target Date Model allocations, and made several changes to remove and/or replace funds in the Plans. In addition, the 401(a) Plan was expanded to include Executive Staff and Managers.

As of June 30, 2023, the Plans have:

- 1,073 participants (employees and retirees)
- Approximately \$222 million in assets
- Outperformed the 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 2023.

Attachment

Deferred Compensation Plan Annual Report for Plan Year Ending June 2023

Report To The Board

Plan Year Ending: June 2023

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



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Plan Background

Section 1

South Coast Air Quality Management District Plan

South Coast Air Quality Management District Plan Overview

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

Plan Features (457 Plan)

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

Default Investment Alternative

Default Fund	T. Rowe Price Retirement Series
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Service Providers

Recordkeeper	Empower
Directed Trustee	Reliance Trust Company
Plan Advisor	Benefit Financial Services Group (“BFSG”)

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 14, 2022	Watch List	Placed T. Rowe Price Blue Chip Growth on the Watch List due to underperformance and a change in management.
	Fund Changes	<p>Agreed to make the following changes to the Plans:</p> <ul style="list-style-type: none">• Remove American Funds Fundamental Invs and consolidate assets and future contributions to Vanguard Institutional Index.• Replace Fidelity Advisor Small Cap Growth with Fidelity Small Cap Growth. <p>These changes were effective February 9, 2023.</p>
April 11, 2023	Target Date Models Update	The Models were updated on February 13, 2023, to reflect the changes noted above.
June 21, 2023,	Fund Change	<p>Agreed to replace Hartford Healthcare with Vanguard Health Care Index.</p> <p>This change is scheduled to occur on September 18, 2023.</p>

Settlor Updates

Meeting Date	Item	Update
September 14, 2022	401(a) Plan Expansion	<p>The Executive Council agreed to expand the 401(a) Plan to Managers and Executive Staff.</p> <p>Effective January 1, 2023, SCAQMD's matching contributions for these groups are being deposited to the 401(a) Plan.</p>



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
	Metropolitan West Total Return Bd I		Vanguard Selected Value Inv	Vanguard Mid Cap Index Admiral	Carillon Eagle Mid Cap Growth A
			SMALL VALUE	SMALL BLEND	SMALL GROWTH
			American Beacon Small Cap Value R6 Vanguard Small Cap Value Index Admiral	Vanguard Small Cap Index Adm	Fidelity® 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	Hartford Healthcare R5 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.

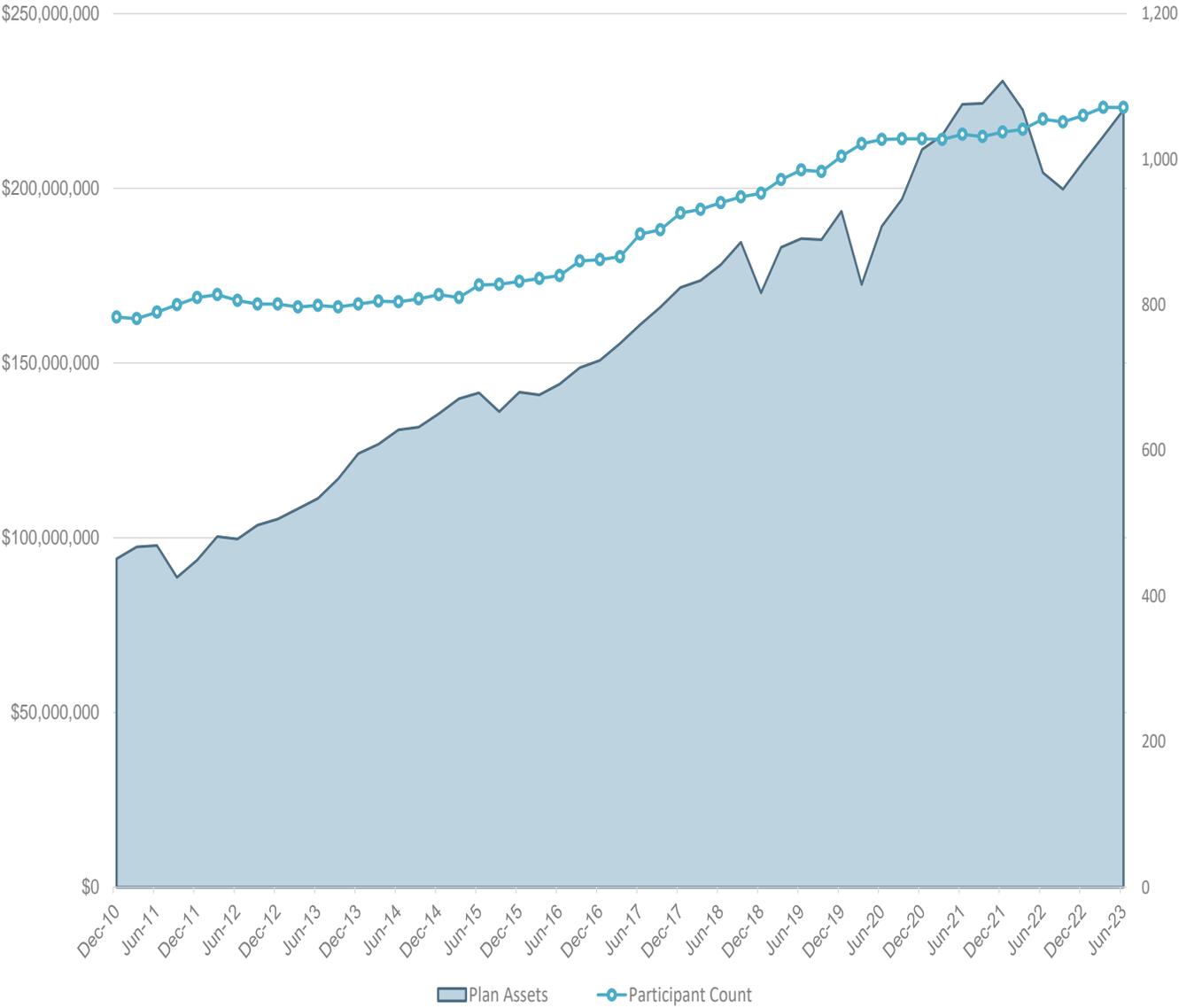
Asset Allocation by Fund

Investment Option	2Q 2023	% of Assets	# of Balances
Guaranteed Interest Account	\$84,991,849	38.43%	627
Vanguard Institutional Index I	\$32,110,147	14.52%	445
T. Rowe Price Blue Chip Growth I	\$25,526,482	11.54%	490
Hartford Dividend and Growth R5	\$10,119,098	4.58%	404
Carillon Eagle Mid Cap Growth A	\$6,527,933	2.95%	377
Hartford International Opportunities R5	\$5,596,980	2.53%	393
T. Rowe Price Retirement I 2045 I	\$5,543,438	2.51%	85
American Funds American Balanced R6	\$4,316,779	1.95%	114
T. Rowe Price Retirement I 2035 I	\$4,193,217	1.90%	47
Vanguard Selected Value Inv	\$3,663,821	1.66%	336
Metropolitan West Total Return Bd I	\$3,658,889	1.65%	277
Vanguard Mid Cap Index Admiral	\$3,428,117	1.55%	239
Vanguard Total Bond Market Index Adm	\$3,372,178	1.52%	242
Hartford Healthcare R5	\$3,322,630	1.50%	105
Fidelity® Small Cap Growth K6	\$3,041,861	1.38%	324
American Beacon Small Cap Value R6	\$2,353,069	1.06%	310
Vanguard Small Cap Index Adm	\$2,177,221	0.98%	223
Vanguard FTSE Social Index Admiral	\$1,981,717	0.90%	77
Vanguard Developed Markets Index Admiral	\$1,886,406	0.85%	186
MFS International New Discovery A	\$1,783,697	0.81%	189
Vanguard Small Cap Value Index Admiral	\$1,588,716	0.72%	50
Vanguard Utilities Index Adm	\$1,262,895	0.57%	88
T. Rowe Price Retirement I 2040 I	\$1,437,511	0.65%	27
T. Rowe Price Retirement I 2055 I	\$1,033,951	0.47%	33
T. Rowe Price Retirement I 2025 I	\$991,104	0.45%	18
T. Rowe Price Retirement I 2060 I	\$919,687	0.42%	54
T. Rowe Price Retirement I 2050 I	\$930,619	0.42%	36
Vanguard Real Estate Index Admiral	\$812,935	0.37%	66
Vanguard Emerging Mkts Stock Idx Adm	\$781,676	0.35%	136
DFA US Large Cap Value I	\$780,819	0.35%	147
T. Rowe Price Retirement I 2030 I	\$763,579	0.35%	15
T. Rowe Price Retirement I 2020 I	\$150,859	0.07%	6
T. Rowe Price Retirement I 2065 I	\$50,104	0.02%	10
T. Rowe Price Retirement I 2015 I	\$43,365	0.02%	4
T. Rowe Price Retirement I 2005 I	\$13,427	0.01%	3
T. Rowe Price Retirement I 2010 I	\$9,964	0.00%	4
Subtotal	\$221,166,740	100.00%	1,073
Self-Directed Brokerage Account	\$1,178,559		
Total	\$222,345,300		
Total # of Participants	1,073		
Average Account Balance	\$207,218		

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

Note: Personal Choice Retirement Account had 0 balances as of quarter end.

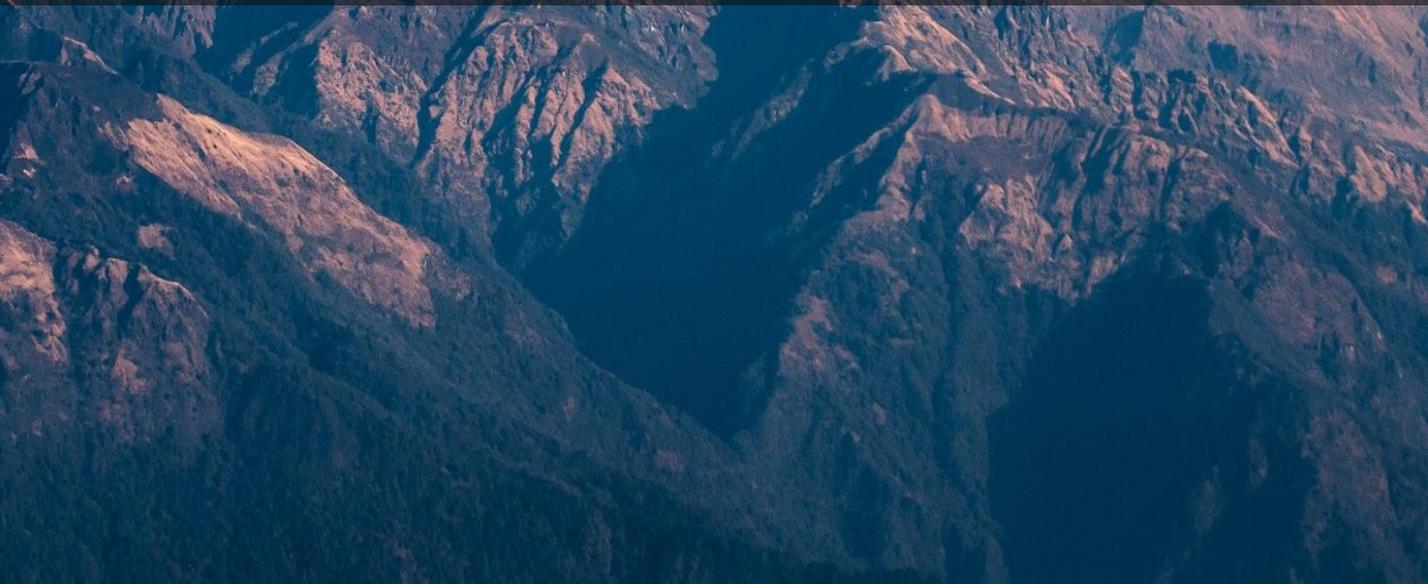
Growth of Plan Assets





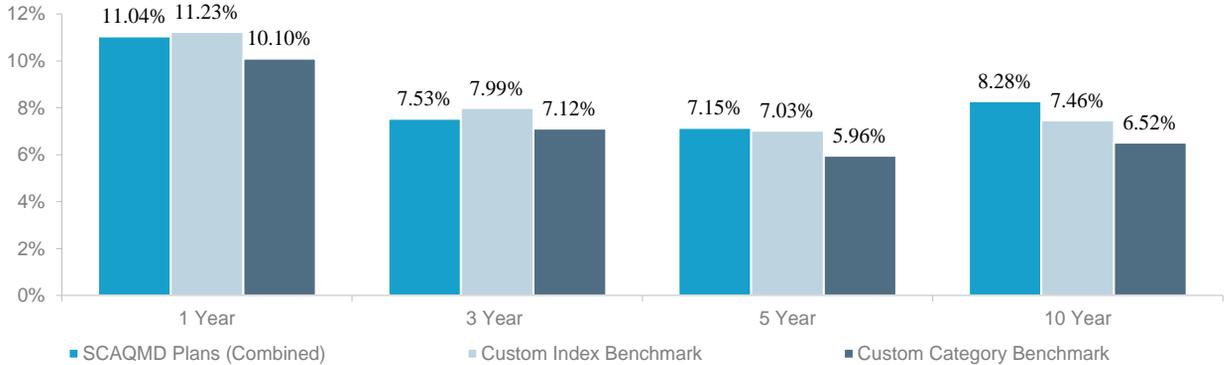
Plan Performance / Cost

Section 4

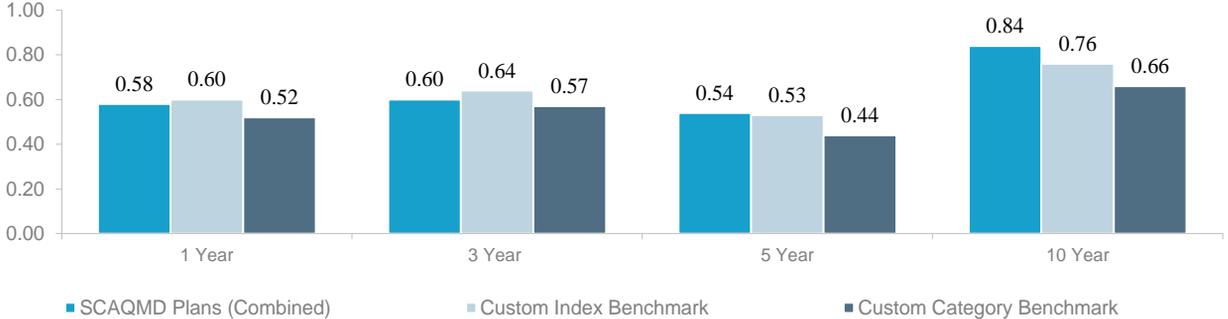


Portfolio Return vs. Custom Benchmark

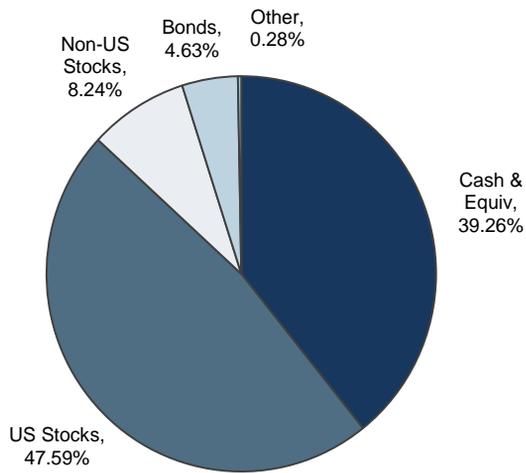
Annualized Returns



Sharpe Ratio



Current Quarter



Benchmark Weightings

Index	Category	Weight
BFSG Custom Stable Value	Stable Value	38.43%
Bloomberg US Agg Float Adj TR USD	Intermediate Core Bond	1.52%
Bloomberg US Agg Bond TR USD	Intermediate Core-Plus Bond	1.65%
40% BC Agg - 60% S&P 500	Moderate Allocation	1.95%
Russell 1000 Value TR USD	Large Value	0.35%
Russell 1000 Value TR USD	Large Value	4.58%
S&P 500 TR USD	Large Blend	0.90%
S&P 500 TR USD	Large Blend	14.52%
Russell 1000 Growth TR USD	Large Growth	11.54%
Russell Mid Cap Value TR USD	Mid Value	1.66%
CRSP US Mid Cap TR USD	Mid Blend	1.55%
Russell Mid Cap Growth TR USD	Mid Growth	2.95%
Russell 2000 Value TR USD	Small Value	1.06%
CRSP US Small Cap Value TR USD	Small Value	0.72%
CRSP US Small Cap TR USD	Small Blend	0.98%
Russell 2000 Growth TR USD	Small Growth	1.38%
MSCI ACWI Ex USA NR USD	Foreign Large Blend	2.53%
FTSE Dvlp ex US All Cap(US RIC)NR USD	Foreign Large Blend	0.85%
MSCI ACWI Ex USA Small Growth NR USD	Foreign Small/Mid Growth	0.81%
FTSE EMs AC China A Inclusion NR USD	Diversified Emerging Mkts	0.35%
S&P 500 Sec/Health Care TR USD	Health	1.50%
Real Estate Spliced Index*	Real Estate	0.37%
MSCI US IMI/Utilities 25-50 GR USD	Utilities	0.57%
S&P Target Date Series	Target Date Series	7.27%

Evaluation Methodology

Per Investment Policy Statement

Returns (40%)

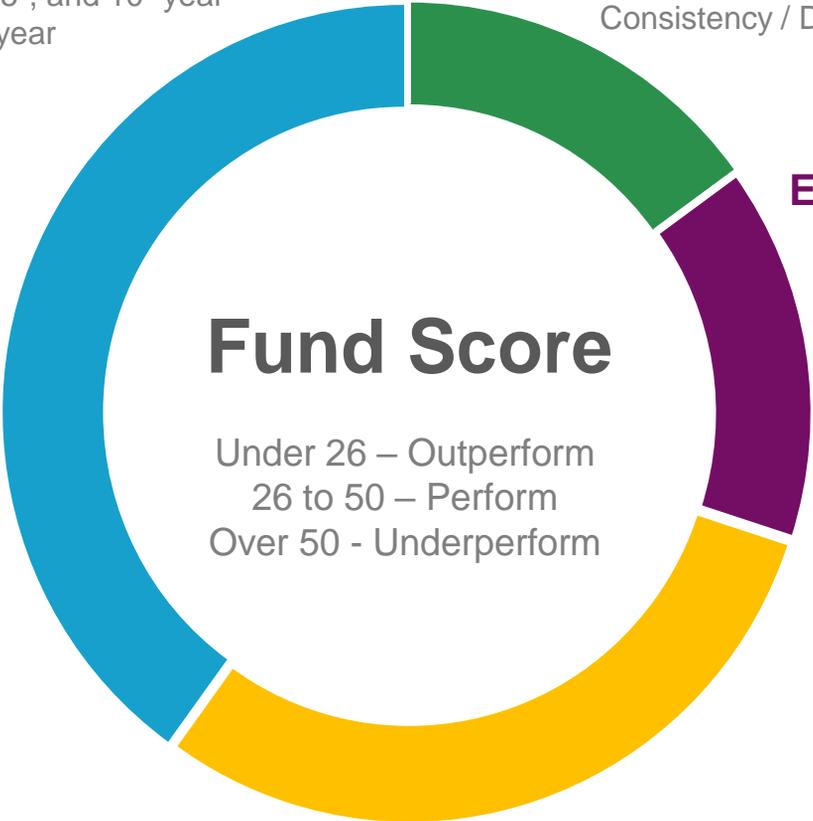
Trailing 3-, 5-, and 10- year
Rolling 10-year

Style (15%)

R²
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			
	2Q23	1Q23	4Q22	3Q22
Intermediate Core-Plus Bond Metropolitan West Total Return Bond Fund	63	59	53	46
Moderate Allocation American Funds American Balanced Fund	20	19	12	17
Large Value DFA US Large Cap Value Portfolio	34	32	43	36
Hartford Dividend and Growth Fund	4	6	2	1
Large Blend Vanguard FTSE Social Index Fund	6	4	11	2
Large Growth T. Rowe Price Blue Chip Growth Fund	45	47	48	38
Mid Value Vanguard Selected Value Fund	20	23	39	49
Mid Growth Carillon Eagle Mid Cap Growth Fund	7	5	2	3
Small Value American Beacon Sm Cap Val Fd	23	25	27	34
Small Growth Fidelity® Small Cap Growth Fund	10	15	15	14
Foreign Large Blend Hartford International Opportunities Fd	49	33	17	13
Foreign Small/Mid Growth MFS International New Discovery Fund	50	51	57	62
Health Hartford Healthcare Fund	56	59	50	44
Target Date Series T. Rowe Price Retirement Series	14	14	15	15
Average Rank	28	28	30	29
Plan Weighted Rank (Reweighted)	28	28	32	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.



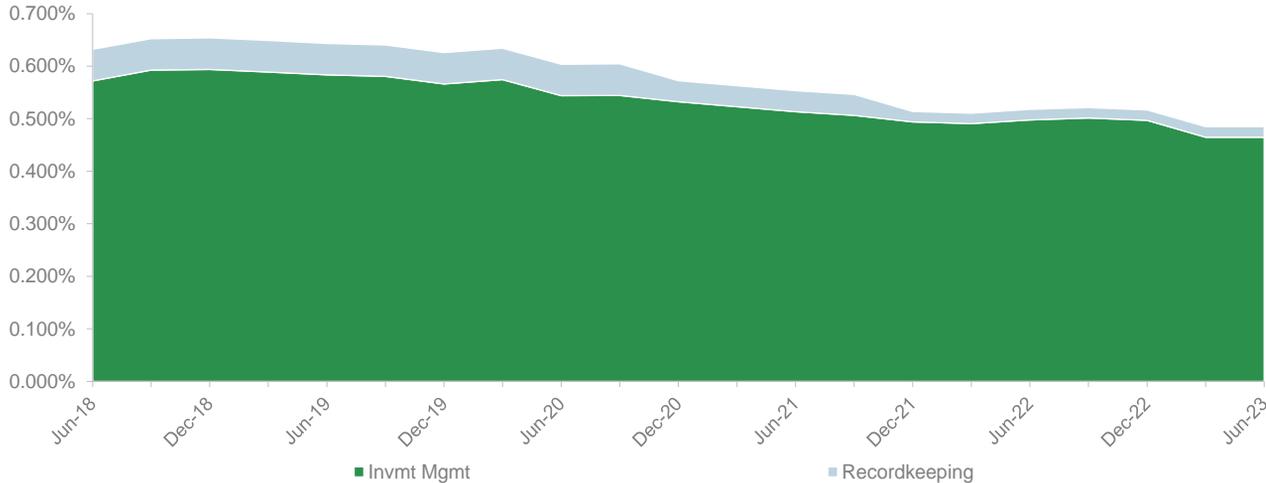
Fee Breakdown & Recordkeeping Costs

	Plan Assets 06/30/2023	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	\$221,166,740	0.485%	\$1,072,288	\$1,028,054	\$44,233
				0.465%	0.020%
<i>Industry Average¹</i>		<i>0.527%</i>	<i>\$1,165,912</i>		

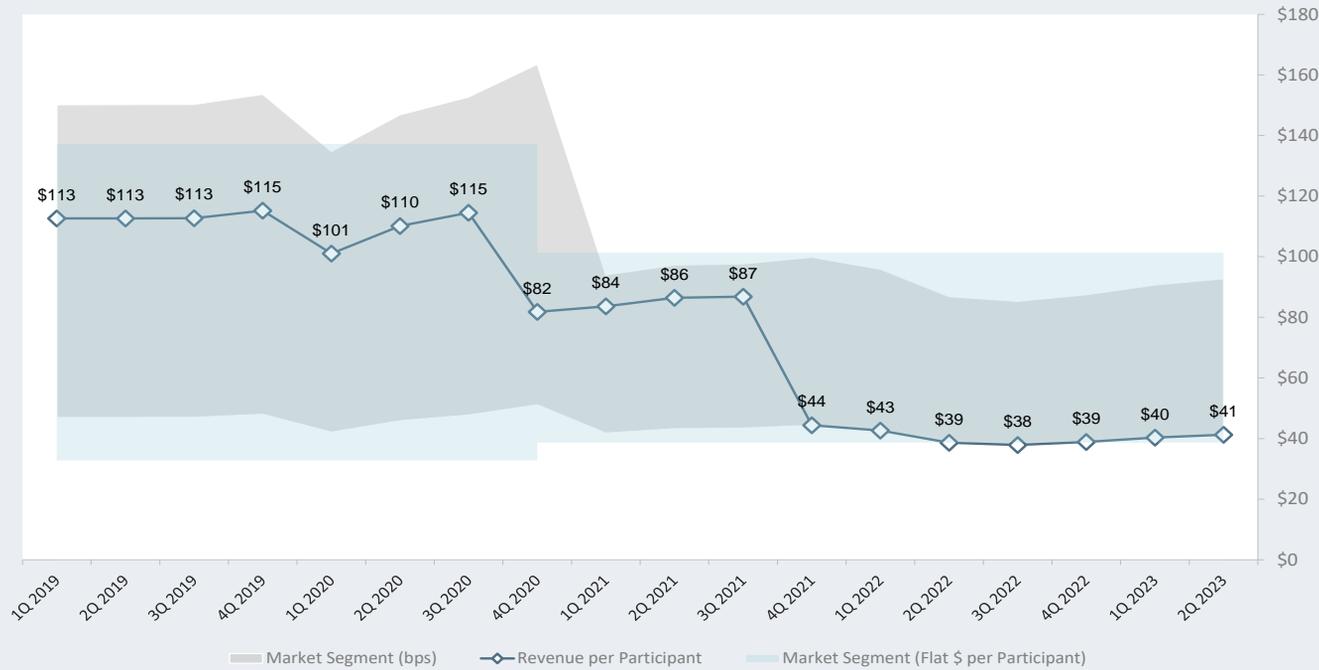
¹The Industry Average represents the weighted expense (based upon current allocation) of lowest cost Institutional and Retirement share classes in each asset category from Morningstar, plus the benchmark revenue requirement.

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

Investment Management and Recordkeeping Costs



Recordkeeping Fee on a Per Participant Basis



A photograph of a wooden table with a white mug of coffee, a red pen, and a branch of holly. The mug is filled with dark coffee. The pen is a red ballpoint pen with silver accents. The holly branch has green leaves and clusters of red berries. The scene is lit with warm, natural light.

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 14, 2022

REPORT: Deferred Compensation Plan Committee

SYNOPSIS: The Deferred Compensation Plan Committee met on September 14, 2022, at 2:00 pm. The meeting was conducted via a Zoom web conference. The following is a summary of that meeting.

RECOMMENDED ACTION:
Receive and file.

A. John Olvera, Chair
Deferred Compensation Plan

AJO:RH:tc

Committee Members Present

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

Committee Members Absent

None

Guests

Anthony Tang, South Coast Air Quality Management District (“SCAQMD”)
Paul Wright, SCAQMD
Darren Stewart, Benefit Financial Services Group (“BFSG”)
Antonia Lipovac, BFSG
Dario Gomez, Empower Retirement (“Empower”)
Lisa Braun-Ward, Empower

Call to Order

Chair Olvera called the meeting to order at 2:05 pm.

Approval of Prior Meeting Minutes: The Committee unanimously approved the minutes of the meeting held on June 9, 2022.

FIDUCIARY AGENDA

457 and 401(a) Plans Quarterly Investment Review – 2nd Quarter 2022: The Committee received and unanimously approved the Retirement Plan Quarterly Investment Review (the “Report”) for the 457 Deferred Compensation Plan and the 401(a) Defined Contribution Plan (collectively the “Plans”) for the quarter ending June 30, 2022.

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”).

American Funds Fundamental Investors – The fund has been on the Watch List since February 1, 2022, due to underperformance relative to its index and peers. Sector allocation contributed to performance for the quarter, but poor stock selection within the Technology sector caused the fund to underperform its peers. An overweight to semiconductor stocks, which are highly cyclical and tend to underperform during market downturns, was the primary issue. The fund has not outperformed the S&P

500 in any calendar year since 2017. An analysis will be reviewed later in the meeting to consider potential removal.

T. Rowe Price Blue Chip Growth – The fund underperformed both benchmarks for a third quarter in a row following the official retirement of long-term manager in September 2021. The new manager has experience with the fund as a co-manager as well as more than a decade experience as a key analyst. High growth stock positions continued to detract from performance as interest rates continued to increase during the quarter. A significant overweight to Communication Services materially impacted performance as changes to the iPhone operating system have negatively impacted digital advertisers. The Committee agreed to place the fund on the Watch List due to recent underperformance and the manager change.

Carillon Eagle Mid Cap Growth – The long-term manager on the fund is expected to retire at the end of September 2022. The co-managers on the strategy have been in place for a decade. No action was recommended at this time

MFS International New Discovery – The fund has been on the Watch List since September 23, 2021, due to a manager change. The fund has also underperformed in the intermediate term as its conservative strategy lagged during the market rallies of 2019 and 2020. The fund significantly outperformed its Foreign Small/Mid Growth category peers during the quarter and on a year-to-date basis causing the Evaluation Methodology rank to improve from 86 to 62. The longest-term manager has retired from the strategy but there are 2 remaining managers with more than 10 years on the fund. BFGS brought a fund search to review the fund in more detail along with potential alternatives.

Hartford Healthcare Fund – The fund has been on the Watch List since February 16, 2021, due to a manager change. Although four new co-managers have been added to the strategy, the longest-term manager has more than 20 years of tenure. During the second quarter, the fund performed in line with its category peer but underperformed relative to its index. The fund ranks a 42 (“perform”) per the Evaluation Methodology and it was noted the fund’s expense ratio of 0.88 remained below its category benchmark of 0.94.

The Committee reviewed point-in-time Plan-level performance noting the Plan demonstrated better risk-adjusted returns than the custom category benchmark, as measured by 3-, 5-, and 10-year Sharpe ratio, and had a lower expense ratio..

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 \$27,800.

Fund Search Analysis

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

Remove American Funds Fundamental Invs R6 due to underperformance.
Consolidate assets and future contributions to Vanguard Institutional Index I.

BFGS will inquire with Fidelity as to the availability of a lower cost share class of Fidelity Small Cap Growth. If available, the Committee will schedule a special meeting to consider the change.

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, 2022. Areas reviewed included Plan assets, demographics, cash flow, asset allocation, and loan utilization.

401(a) Plan Expansion: It was noted there is currently one participant in the 401(a) Plan. The Executive Council has voted to expand the 401(a) to the executive staff. Matching contributions currently deposited to the 457(b) Plan will be contributed to the 401(a) Plan once operations have been updated. Mr. Gilcrest noted that he supports expanding the benefit to managers as well and Human Resources will conduct a survey and a potential recommendation for the Executive Council.

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

Expense Budget Account Quarterly Activity Review: The Committee reviewed the accounting activity report for the Plan Expense Budget account. As of June 30, 2022, the ending balance in the account was \$4,574.25.

OTHER MATTERS:

Public Comments – There were no public comments.

Other Business – There was no other business.

Adjournment - The meeting adjourned at 3:55 p.m.



**South Coast
Air Quality Management District**

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

MEETING DATE: October 5, 2022

REPORT: Deferred Compensation Plan Committee

SYNOPSIS: The Deferred Compensation Plan Committee held a special meeting on October 5, 2022, at 1:00 pm. The meeting was conducted via a Zoom web conference. The following is a summary of that meeting.

RECOMMENDED ACTION:
Receive and file.

A. John Olvera, Chair
Deferred Compensation Plan

AJO:RH:tc

Committee Members Present

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

Committee Members Absent

None

Guests

Anthony Tang, South Coast Air Quality Management District (“SCAQMD”)
Paul Wright, SCAQMD
Darren Stewart, Benefit Financial Services Group (“BFSG”)
Antonia Lipovac, BFSG

Call to Order

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

FIDUCIARY AGENDA

Share Class Review

BFSG confirmed with Fidelity the availability of a lower cost version of Fidelity Small Cap Growth. BFSG provided a comparison of the two funds. After discussion, the Committee unanimously agreed to replace Fidelity Advisor Small Cap Growth Z with Fidelity Small Cap Growth K6.

SETTLOR AGENDA

None

OTHER MATTERS:

Public Comments – There were no public comments.

Other Business – There was no other business.

Adjournment - The meeting adjourned at 1:07 p.m.



**South Coast
Air Quality Management District**

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

MEETING DATE: December 7, 2022

REPORT: Deferred Compensation Plan Committee

SYNOPSIS: The Deferred Compensation Plan Committee met on December 7, 2022, at 2:00 pm. The meeting was conducted via a Zoom web conference. The following is a summary of that meeting.

RECOMMENDED ACTION:
Receive and file.

A. John Olvera, Chair
Deferred Compensation Plan

AJO:RH:tc

Committee Members Present

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

Committee Members Absent

Sujata Jain - Chief Financial Officer

Guests

Anthony Tang, South Coast Air Quality Management District (“SCAQMD”)
Paul Wright, SCAQMD
Mark Henninger, SCAQMD
Darren Stewart, Benefit Financial Services Group (“BFSG”)
Erin Schneider, BFSG
Armando Llanes, Empower Retirement (“Empower”)
Lisa Braun-Ward, Empower
Rob Dwyer, Empower

Call to Order

Chair Olvera called the meeting to order at 2:01 pm.

Approval of Prior Meeting Minutes: The Committee unanimously approved the minutes of the meeting held on September 14, 2022 and the special meeting held on October 5, 2022.

FIDUCIARY AGENDA

457 and 401(a) Plans Quarterly Investment Review – 3rd Quarter 2022: The Committee received and unanimously approved the Retirement Plan Quarterly Investment Review (the “Report”) for the 457 Deferred Compensation Plan and the 401(a) Defined Contribution Plan (collectively the “Plans”) for the quarter ending September 30, 2022.

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 has declined from a 17 (“Outperform”) to a 46 (“Perform”) during the last twelve months. A slightly longer duration than the index has detracted as interest rates have risen materially in the last year. A new CEO will be taking over effective January 1, 2023,

following a change in the CIO at the beginning of this year. Long-term performance remains competitive. BFSG gave no recommendation at this time.

American Funds Fundamental Investors – The Committee agreed to remove this fund from the Plan due to underperformance as of September 14, 2022. Removal will be effective February 9, 2023, and current assets and future contributions will be mapped to Vanguard Institutional Index I.

T. Rowe Price Blue Chip Growth – The fund has been on the Watch List since September 19, 2022, due to underperformance relative to its index and peers and a recent manager change. The fund underperformed both benchmarks during the third quarter despite the market favoring growth stocks. The strategy now underperforms the peer group across the 1-, 3-, and 5-year periods. Its Evaluation Methodology rank declined from 18 (“Outperform”) to 38 (“Perform”) over the past 12 months. In the third quarter, an overweight to the communication services sector was the largest detractor. Poor stock selection in the technology sector also detracted, as software holdings such as ServiceNow lagged the benchmark. The Committee agreed to maintain the fund on the Watch list.

MFS International New Discovery – The fund has been on the Watch List since September 23, 2021, due to a manager change. Its Evaluation Methodology rank is 62 (“Underperform”) for the quarter but has increased from 88 (“Underperform”) over the last 12 months. The fund is historically a defensive fund and is outperforming both its category and benchmark one a one-year basis. An underweight to India as well as poor selection in materials was offset by a 4% cash allocation. BFSG is comfortable with the management direction and noted the fund is outperforming by 1% since quarter end. The Committee agreed to maintain the fund on the Watch list.

Hartford Healthcare Fund – The fund has been on the Watch List since February 16, 2021, due to manager changes, the fund has replaced 4 of its 5 managers over the past 2 years. The fund underperformed both the category and benchmark for the quarter and year. This underperformance is in part due to its biotech exposure. While small cap biotech performed well over the quarter, this fund’s exposure was placed heavily in mid cap causing it to lag against the benchmark. The Committee agreed to maintain the fund on the Watch list. BFSG will bring a fund search to the next meeting to discuss moving into an index fund or removing the asset class from the plan.

The Committee reviewed point-in-time Plan-level performance noting the Plan demonstrated better returns than the custom category benchmark on a 3-, 5-, and 10-year basis.

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 \$26,333.

SETTLOR AGENDA

BFSG Participant Education Update: Mr. Stewart updated the Committee on attendance to the current fall webinar series put on by BFSG. There were 31 unique attendants from SCAQMD.

Marketing Strategies for 2032: Mr. Llanes presented the communication and engagement calendar for 2023, detailing the different seminars Empower plans to put on for the participants of the Plan.

Quarterly Review 457 and 401(a) Plans: Ms. Braun-Ward presented the 457(b) Plan Review report for the quarter ending September 30, 2022. Areas reviewed included Plan assets, demographics, cash flow, asset allocation, and loan utilization.

457 and 401(a) Plan Amendments: Ms. Braun-Ward updated the Committee on the recent amendments to the CARES Act and SECURE act. These amendments have been signed and implemented.

Expense Budget Account Quarterly Activity Review: The Committee reviewed the accounting activity report for the Plan Expense Budget account. As of September 30, 2022, the ending balance in the account was \$5,769.47.

OTHER MATTERS:

Public Comments – There were no public comments.

Other Business – There was no other business.

Adjournment - The meeting adjourned at 3:16 p.m.



**South Coast
Air Quality Management District**

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

MEETING DATE: April 10, 2023

REPORT: Deferred Compensation Plan Committee

SYNOPSIS: The Deferred Compensation Plan Committee met on April 10, 2023, at 10:30 am. The meeting was conducted via a Zoom web conference. The following is a summary of that meeting.

RECOMMENDED ACTION:
Receive and file.

A. John Olvera, Chair
Deferred Compensation Plan

AJO:RH:tc

Committee Members Present

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

Committee Members Absent

Bayron Gilchrist – General Counsel

Guests

Paul Wright, South Coast Air Quality Management District (“SCAQMD”),
Kathryn Roberts, SCAQMD
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 10:38 am.

Approval of Prior Meeting Minutes: The Committee members in attendance approved the minutes of the meeting held on December 7, 2022. Mrs. Jain abstained due to her absence at the last meeting.

FIDUCIARY AGENDA

457 and 401(a) Plans Quarterly Investment Review – 4th Quarter 2022: 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 December 31, 2022.

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”).

BFSG noted the following changes were completed by Empower on February 9, 2023:

- Fidelity Advisor Small Cap Growth Z moved to Fidelity Small Cap Growth K6;
- American Funds Fundamental Investors R6 was removed, and assets were mapped to Vanguard Institutional Index Instl.

The Plans’ Target Date Models were updated accordingly.

Metropolitan West Total Return Bond’s Evaluation Methodology rank declined to 53 (“underperform”) despite performance that was in line with its index and peers for the quarter. Performance for 2022 trailed its category peers by just over 1%, driven mostly by a longer portfolio duration which was more sensitive to rapidly rising interest rates. Security selection

in mortgage-backed securities was also a detractor in the short term. No action was recommended at this time.

T. Rowe Price Blue Chip Growth is the second largest holding in the Plans. Underperformance has continued for six quarters in a row following the manager change causing the fund's Evaluation Methodology rank to decline to 48. An overweight to communication services stocks and poor selection within consumer discretionary stocks were responsible for much of the underperformance for the quarter. Management recently bought back Tesla stock after selling it a few years ago, to see the stock decline more than 50% for the quarter. A significant overweight to Amazon also detracted for the quarter and year. During the quarter, management significantly trimmed its positions in several mega-cap tech stocks that had largely been responsible for recent underperformance. After discussion, the Committee members in attendance agreed to keep the fund on the Watch List pending a review of a Fund Search later in the meeting.

MFS International New Discovery has done well since it was placed on the Watch List back in late-2021 due to a manager change. The fund outperformed both the index benchmark and category peers for the quarter and over the one-year period. Strong stock selection, especially in consumer discretionary, and an overweight to Europe were major contributors to performance during the reporting period. One of the fund managers is scheduled to retire this year and 2 co-managers will remain in place. As the fund trailed both benchmarks over the 3-year period, the Committee members in attendance agreed to keep the fund on the Watch List.

Hartford Healthcare Fund has been on the Watch List since February 2021 due to manager changes. The fund replaced 4 of its 5 managers over the past 2 years. Another long-term manager retired in March 2023. The Committee members in attendance agreed to maintain the fund on the Watch list pending a review of the Fund Search later in the meeting.

The Committee reviewed point-in-time Plan-level performance noting the Plan demonstrated better returns than the custom category benchmark on a 3-, 5-, and 10-year basis.

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 \$29,900.

Fund Search Analysis: The Committee members in attendance requested to table this topic to the next regular meeting.

BFSG Participant Education Update: Mr. Muñoz noted BFSG conducted a "Traditional vs. Roth" webinar during the fourth quarter. A total of 47 employees attended the webinar, a recording of which was provided to the Human Resources department for distribution. There were 6 one-on-one sessions and 1 financial plan delivered during the quarter.

During the 2022 year, BFGS conducted 4 webinar sessions for SCAQMD which had approximately 180 attendees. There were 20 one-on-one sessions conducted and 14 financial plans delivered.

SETTLOR AGENDA

Quarterly Review 457 and 401(a) Plans: Ms. Braun-Ward presented the 457(b) Plan Review report for the quarter ending December 31, 2022. Areas reviewed included Plan assets, demographics, cash flow, asset allocation, and loan utilization. As of the end of the reporting quarter, the average account balance was \$195,493, which is significantly higher than the Empower's benchmark. The Plan participation rate was 61%, which is higher than the Empower's benchmark of 59%. Ms. Braun-Ward noted 292 eligible individuals are not participating in the Plan. The average contribution rate remains strong at 13.3%.

Legislative Update: SECURE 2.0: The Setting Every Community Up for Retirement Enhancement ("SECURE") 2.0 Act, an expansion of the SECURE Act of 2019, was signed into law on December 29, 2022, as part of the Consolidated Appropriations Act of 2023. Amongst numerous goals the SECURE 2.0 Act aims to increase savings for retirement, improve retirement rules, and lower the cost of setting up a retirement plan for employers. Some provisions of the Act have already taken effect as of January 1, 2023, and others will take effect in later years. Additional guidance from the Internal Revenue Services and Department of Labor may be required for some provisions, and service providers are also waiting for additional guidance on how to operationally implement these provisions.

Expense Budget Account Quarterly Activity Review: The Committee reviewed the accounting activity report for the Plan Expense Budget account. As of December 31, 2022, the ending balance in the account was \$13.29.

OTHER MATTERS:

Public Comments – There were no public comments.

Other Business – There was no other business.

Adjournment - The meeting adjourned at 11:55 a.m.



South Coast
AQMD

South Coast Air Quality Management District

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

MEETING DATE: June 21, 2023

REPORT: Deferred Compensation Plan Committee

SYNOPSIS: The Deferred Compensation Plan Committee met on June 21, 2023, at 2:25 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
Raquel Arciniega - Human Resources Manager
Sujata Jain - Chief Financial Officer
Bayron Gilchrist – General Counsel

Committee Members Absent

None

Guests

Paul Wright, South Coast Air Quality Management District (“SCAQMD”)
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 2:25 p.m.

Approval of Prior Meeting Minutes: The Committee members in attendance approved the minutes of the meeting held on April 10, 2023. Mr. Gilchrist abstained due to his absence at the last meeting.

FIDUCIARY AGENDA

457 and 401(a) Plans Quarterly Investment Review – 1st 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 March 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 over \$25,000.

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 to 59 despite outperforming both the Bloomberg US Agg Bond Index and its category peer group for the quarter. A longer portfolio duration was a tailwind to relative performance during the quarter as Treasury yields reset lower across the yield curve. While the fund is slightly underperforming the peer group over the three-, five-, and ten-year annualized periods, it is outperforming the benchmark index over the same periods. Much of the difference in performance relative to the peer group is due to the fund’s preference for high credit quality securities. The fund has a long-tenured management team and a strong process in place. No action was recommended at this time.

T. Rowe Price Blue Chip Growth was placed on the Watch List in September 2022 due to underperformance and a manager change. In the first quarter of 2023, the fund demonstrated a notable improvement in performance as market conditions shifted and growth investing sentiment strengthened. It outperformed its category peers during this period. The fund’s success can be attributed to its strategic focus on technology, communication services, and consumer discretionary sectors. These sectors, which had underperformed in 2022, experienced a significant turnaround and became the top performers in the first quarter of 2023. Notably, the fund’s holdings in the semiconductor industry, particularly Nvidia, played a significant role in driving its positive performance.

After thorough discussions, the Committee decided to retain the fund on the Watch List pending a review of a Fund Search later in the meeting.

MFS International New Discovery was placed on the Watch List in September of 2021 due to changes in management. The fund demonstrated competitive performance during the quarter and over the 1-year period. Management focuses on investing in companies with sustainable growth and strong balance sheets. The fund is positioned to perform well in down markets and has recently done well in both types of markets. After discussion, the Committee members agreed to keep the fund on the Watch List.

Hartford Healthcare has been on the Watch List since February 2021 due to manager changes. The fund continued to trail its peer group and maintained an “underperform” Evaluation Methodology ranking score as of the end of the reporting quarter. Overweight to stocks of small- and medium-size biotech companies detracted from recent performance. After discussion, the Committee agreed to maintain the fund on the Watch list pending a review of the Fund Search later in the meeting.

Other areas reviewed included performance of the T. Rowe Price Retirement series, Target Date Models, and point-in-time Plan-level performance.

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

- Due to improved performance, keep T. Rowe Price Blue Chip Growth on the Watch List.
- Remove Hartford Healthcare due to underperformance. Add Vanguard Health Care Index. Map all assets and future contributions from the Hartford fund to the Vanguard fund. Vanguard Health Care Index was selected for its competitive historical performance and low expense.

BFSG Participant Education Update: In the first half of 2023, BFSG conducted a Navigating Volatile Markets webinar in April and a Planning for Healthcare in Retirement webinar in early-June. Over 30 employees have attended each of the webinars, and both recordings were provided to the Human Resources department for distribution internally. As of the date of the meeting, BFSG’s Certified Financial Planner, Keith Johnson had 16 one-on-one consultations and delivered 3 financial plans.

SETTLOR AGENDA

Quarterly Review 457 and 401(a) Plans: Ms. Braun-Ward presented the 457(b) Plan Review report for the quarter ending March 31, 2023. Areas reviewed included Plan assets, demographics, cash flow, asset allocation, and loan utilization. As of the end of the reporting quarter, the average account balance was roughly \$200,000, above Empower’s benchmark. The Plan participation rate increased quarter-over-quarter by 2% to 63%, which is higher than Empower’s benchmark of 58%. Distributions during the quarter were over \$4.6 million. Ms. Braun-Ward noted over 28% of participants contribute on a Roth basis to the Plan. Loan utilization decreased quarter-over-quarter by 0.5%, ending the reporting period at 6.5%.

Empower’s 401(a) Plan Review was also briefly reviewed. As of the end of the reporting period, there were 78 participants with a balance in the Plan. The total Plan assets were \$764,707.

Expense Budget Account Quarterly Activity Review: The Committee reviewed the accounting activity report for the Plan Expense Budget account. As of March 31, 2023, the ending balance in the account was \$1,333.

OTHER MATTERS:

Public Comments – There were no public comments.

Other Business – There was no other business.

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