

## **DEFINED CONTRIBUTION PLANS TRUSTEE BOARD**

### **SPECIAL MEETING MINUTES**

**Tuesday, November 17, 2020**

The Defined Contribution Plans Trustee Board of the City of San Diego held a special meeting on Tuesday, November 17, 2020. The meeting was conducted via teleconference pursuant to the provisions of California Executive Order 29-20. The meeting was called to order at 12:36 p.m. by Board Chair Julio Canizal.

#### **1. ACTION ITEMS**

A. Roll Call Julio Canizal

Trustees Present: Julio Canizal, Elizabeth Correia, Abraham Hunt, Gregg Rademacher

Trustees Absent: Brenton Devore

Staff present: Quennelle Allen, Thomas Brady

Presenters: William Cottle (Milliman), Jeffrey Nipp (Milliman)

B. Interviews of Finalists and Selection of Third-Party Administrator Jeffrey Nipp  
Bill Cottle

On August 20, 2020, an RFP was issued to solicit record keeping administration for the City Supplemental Pension Savings Plans (SPSP and SPSP-H), 401(a), and 401(k) Plans, with a final proposal due date of September 25, 2020. The finalists were Empower Retirement, LLC; Voya Financial, Inc; and Principal/Wells Fargo Institutional Retirement and Trust. Bidders were each given an hour to present and were instructed to discuss the following key items during their presentation:

- Overview of the firm
- Key people that would work with the City
- Services and platforms for plan participants and for the plan sponsor
- Education and financial planning services offered by the firm
- Items specific to the City such as vesting rules between plans and plan-to-plan transfers to SDCERS
- The transition process, should the firm be selected

A comparison of the fee structures proposed by the bidders as well as a summary of references was provided by Milliman.

Following the presentations from the three finalists, the Board discussed each of the proposals, speaking extensively about the fee structures and the merits of per-account fees versus asset-based fees. The Board weighed the impact of changing to a per-account fee structure on the participants with lower account balances contrasted with the higher percentage of fees paid by participants with larger account balances under the asset-based fee structure. The Board decided to retain the current asset-based fee structure due to the unique nature of the City's defined contribution plans in that many employees participate in multiple plans. As such, moving to a per-account fee could lead to dramatically increased fees for certain employees participating in multiple plans.

The Board also discussed the reduced fee proposals, if the recordkeepers were to charge distribution fees to employees. The Board determined it did not want to impose these additional distribution fees without prior notice to the recognized employee organizations. Thus, the Board rejected the fee proposal options containing distribution fees.

The Board further reviewed the fee proposals with managed account options. It was noted that managed accounts have been the source of excessive fee litigation recently because of the difficulty in determining record keeper compensation when the record keepers are earning income from these managed accounts, in addition to per-participant fees. Therefore, the Board decided not to include managed accounts in the investment line-up due to potential legal issues.

Finally, the Board expressed that each of the three finalists were well-qualified to provide record keeping services to the City's defined contribution plans. However, Principal/Wells Fargo's low fees, familiarity with the City plans and employees, and ease of transition to the Principal record keeping platform made them the best provider for the City's plans.

**MOTION TO AWARD THE RECORD-KEEPING CONTRACT TO PRINCIPAL/WELLS FARGO INSTITUTIONAL RETIREMENT AND TRUST ON THEIR PROPOSED 6.5 BASIS POINTS ASSET-BASED FEE WITH NO DISTRIBUTION FEES, SUBJECT TO LANGUAGE IN THE CONTRACT THAT ALLOWS FOR THE CITY TO REVISE THE FEE STRUCTURE TO AN ACCOUNT-BASED FEE IN THE FUTURE:**

Julio Canizal

SECOND:  
Approved (4-0)

Elizabeth Correia

The Board directed staff to finalize the contract with Principal/Wells Fargo as soon as possible.

**2. COMMENTS FROM TRUSTEES, STAFF, ADMINISTRATOR, ATTORNEY**

None.

**3. PUBLIC COMMENT**

None.

**4. NEXT MEETING**

To be scheduled.

**5. ADJOURNMENT**

Meeting adjourned at 5:05 p.m.

Backup documentation is available from the Risk Management Department