

**DEFINED CONTRIBUTION PLANS TRUSTEE BOARD MEETING MINUTES**

**Wednesday, March 3, 2021**

The Defined Contribution Plans Trustee Board of the City of San Diego held its regularly scheduled meeting on Wednesday, March 3, 2021. The meeting was conducted via teleconference pursuant to the provisions of California Executive Order 29-20. The meeting was called to order at 1:36 p.m. by Julio Canizal.

**1. Action Items**

**A. Roll Call**

Julio Canizal

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

Staff present: Quennelle Allen, Thomas Brady

Presenters: Denise Jensen, Erin Cowell (Wells Fargo), and Jeffrey Nipp (Milliman)

**B. Dispense with the reading and approval of the minutes of October 29, 2020 and November 17, 2020**

Julio Canizal

MOTION TO ACCEPT THE MINUTES OF October 29, 2020 and November 17, 2020

Gregg Rademacher  
Julio Canizal

SECOND:  
PASS (5-0)

**C. Elect Chairperson for new term ending on June 30, 2022**

MOTION TO ACCEPT THE NOMINATION OF Elizabeth Correia as Chairperson for new term ending on June 30, 2022

Gregg Rademacher  
Brenton Devore

SECOND:  
PASS (4-0, Elizabeth Correia abstained)

### 3. STAFF REPORTS AND INFORMATIONAL ITEMS

#### A. Wells Fargo Fourth Quarter Report

Denise Jensen

Growth was positive for the fourth quarter, resulting in \$1.574 billion in total assets, with 3,364 outstanding loans in the amount of \$30.4 million. The average account balance has also increased in all four plans. The average account balance was \$51.6k for the 401(k) plan, \$16.5k for the 401(a) plan, \$143.6k for the SPSP plan, and \$30.7k for the SPSP-H plan. The plan to plan transfers as of December 31, 2020 totaled \$2.2 million. There were 4,011 distinct users for the Wells Fargo website on desktops, 94 on tablets, and 3,575 on a mobile device. During the quarter there were four termed rollovers to the 401(k) plan for a total of \$141,217.05, one from SDCERS for \$52,357.59, two from the SPSP plan for \$20,132.21, and one from the SPSP-H plan for \$68,727.25.

#### B. Principal Migration and Communications Presentation

Denise Jensen  
Erin Cowell

The mock migration will take place in April 2021. In May 2021, the payroll file will also be rerouted to Principal. The tentative schedule migration will be as follows, the blackout period will begin at 1:00 p.m. Pacific Time on Thursday May 20, 2021. At this time, accounts will be in inquiry-only mode and no transactions will be able to occur. On Friday May 21, 2021, the funds will be re-registered to Principal. Then on Saturday May 22, 2021 through Monday May 24, 2021, the migration validation will take place. On the morning of Tuesday, May 25, 2021, plans are anticipated to be available on the Principal platform.

Communication will begin 30 days prior to the migration and continue weekly for 90 days after the migration. There will be emails and postal mail communication.

#### C. Fourth Quarter Report

Jeffrey Nipp

The markets did very well in the fourth quarter. International stocks outperformed the US. The smaller cap stocks dominated larger cap stocks. Markets extended their comeback and were up across the board for the quarter. U.S. stocks (S&P 500) were higher as economic fears related to the coronavirus continued to subside with the development of several vaccines. Developed international markets (MSCI EAFE) were also positive as the global economic recovery continued. Emerging Markets (MSCI EM) rose due to diminished economic fears as well as a

weaker dollar. The broad fixed income market (Bloomberg Barclays Aggregate Bond Index) was up as well, as interest rates remained low. The unemployment rate fell to 6.7%. Real GDP rose 33.4% annualized in the third quarter after falling 31.4% in the second quarter. S&P 500 Index 12.15%, MSCI EAFE Index ND 16.05%, MSCI EM (Emerging Markets) Index ND 19.70% Bloomberg Barclays Aggregate Bond Index 0.67%. Stocks and bonds did well. Investment earnings in the fourth quarter was \$140 million plan wide. The percent of total fund assets in the Managed Income Fund continues to come down, currently under 30%. New money is flowing into the Target Date Funds, up to 24%.

The index funds closely tracked their benchmarks during the quarter, while Principal and Boston Trust underperformed for the quarter. The Invesco International Growth Fund almost matched the benchmark but are still lagging long term and should remain on the watchlist. Dodge & Cox had a good quarter due to European financial holdings. Oakmark Balanced Fund holds value equities and short-term corporate bonds, which for much of the year were not doing well, however performed very well in the fourth quarter; they are still lagging long-term and should remain on the watch list. State Street Real Assets Index tracked closely to the benchmark for the quarter and the Managed Income Fund continued to be very stable. The target date funds lagged somewhat for the quarter, due to having more U.S. equity than international when compared to the benchmark.

#### D. Staff Updates

Quennelle Allen

City management approved adding a Roth option to the 401k plan as well as adding Qualified Birth or Adoption Distributions (QBOADs) as a new exception to the 10% distribution penalty for early withdrawals to both the 401k plan and SPSP plan. In order to amend the SPSP plan for the QBOADs, approval by a majority of active participants by vote is required by Section 9.01 of the SPSP plan, as it is a discretionary change. The City has notified the unions of the proposed changes and once any concerns brought forward by the unions are addressed, the City intends to hold a vote for active SPSP members as soon as administratively possible. The City is targeting a July 1, 2021 date for implementing the Roth 401k option and the QBOADs in the 401k and SPSP plans.

The new contract with Wells Fargo/Principal is in place and the new fee structure for Principal went into effect January 1, 2021, which brought the asset-based fees down from 11 basis points to 6.5 basis points.

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

**4. PUBLIC COMMENT**

**5. NEXT MEETING**

May 26, 2021 at 1:30pm

**6. ADJOURNMENT**

Meeting adjourned at 2:31 p.m.

Backup documentation is available from the Risk Management Department