

DEFINED CONTRIBUTION PLANS TRUSTEE MEETING MINUTES

Wednesday, May 26, 2021

The Defined Contribution Plans Trustee Board of the City of San Diego held its regularly scheduled meeting on Wednesday, May 26, 2021. The meeting was conducted via teleconference pursuant to the provisions of California Executive Order 29-20. The meeting was called to order at 1:32 p.m. by Elizabeth Correia.

1. Action Items

A. Roll Call

Elizabeth Correia

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

Trustees Absent: Julio Canizal

Staff present: Quennelle Allen, Thomas Brady

Presenters: Denise Jensen (Principal) and Jeffrey Nipp (Milliman)

Dispense with the reading and approval of the minutes of May 26, 2021

Elizabeth Correia

MOTION TO ACCEPT THE MINUTES OF MAY 26, 2021
SECOND:
PASS (5-0)

Gregg Rademacher
Brenton Devore

3. STAFF REPORTS AND INFORMATIONAL ITEMS

A. Wells Fargo First Quarter Report

Denise Jensen

The migration from Wells Fargo to Principal, with all plans going live the morning of May 25, 2021. Growth was positive for the first quarter resulting in \$1.628 billion in total assets, with 3,204 outstanding loans in the amount of \$29.4 million. The average account balance has also increased in all four plans. The plan to plan transfers as of March 31, 2021 is \$486k. There were 4,417 distinct users for Wells Fargo website on desktops, 108 on tablets, 4,012 on a mobile device, and 3,385 contacts through the voice response unit (VRU).

The average account balance has increased across all four plans. The average account balance was \$53.6k for the 401(k) plan, \$17.6k for the 401(a) plan, \$151.9k for the SPSP plan, and \$33.0k for the SPSP-H plan. Diversification has remained unchanged. During the quarter there were seven termed rollovers to 401(k) total of \$901,643.87, two from SDCERS for \$430,872.20, two from the SPSP plan for \$267,771.67, one from the SPSP-H plan for \$3,000.00 and two from other accounts for \$200,000.00.

The fees paid to Wells Fargo for calendar year 2020 were summarized as follows: The per participant fee for daily recordkeeping services was 11 basis points, resulting in an annual amount of \$1.53 million; the transaction fee for participant loan set up is \$75.00 per loan, totaling \$35,175 for the plan year (loan set-up fees were waived for loans taken between April 3, 2020 and September 30, 2020 due to COVID relief provided by Wells Fargo IRT); totaling \$1.56 million in administrative fees for 2020. Effective January 1, 2021, the record-keeping fee of 11 basis points decreased to 6.5 basis points, the loan origination fee will remain \$75.00.

B. First Quarter Investment Report

Jeffrey Nipp

Equity markets were up over the quarter, while fixed income markets pulled back. U.S. stocks were higher (the S&P 500 was up 6.17% over the quarter and the Russell 3000 was up 6.35%) as economic fears related to the coronavirus continued to subside and several vaccines became available. Developed international markets (MSCI EAFE) were also positive (by 3.48%) as the global economic recovery continued. Emerging Markets (MSCI EM) rose by 2.29% as growth expectations in emerging economies increased. The broad fixed income market (Bloomberg Barclays Aggregate Bond Index) was down by 3.37%, however, as intermediate and long-term interest rates rose. The unemployment rate fell to 6.0%. Real GDP rose 4.3% annualized in the fourth quarter of 2020 after rising 33.4% in the third quarter.

The index funds closely tracked their benchmarks during the quarter, including the real assets fund put in last year. Both the Principal Mid-Cap Fund and the Boston Trust Small Cap Equity Fund underperformed for the quarter. Both international equity funds outperformed their benchmarks during the quarter; the Invesco International Growth Fund is finished ahead of its benchmark for the past year but lags the three-year and five-year performance results and should remain on the watchlist. Oakmark Balanced Fund holds value equities and short-term

corporate bonds, outperformed by 8% during the quarter; they are still lagging long-term and should remain on the watch list. Managed Income Fund continued to be very stable. The shorter term target date funds focus more on income-oriented investments, such as dividend paying stocks, did well during the quarter; the longer term funds lagged somewhat primarily due to not having as much small cap exposure as in the benchmark.

C. Staff Updates

Quennelle Allen

The vote passed to amend the City's SPSP plan to add the QBOAD provision for plan participants. The provision will be added to the 401k plan as well, a vote was not required for this plan. The provision will be available July 1, 2021.

The 401k Roth option will be available July 1, 2021.

Due to the invalidation of Prop B, staff is bringing forward an action to City Council for approval to amend the SPSP-H plan to close participation for new hires to allow them to participate in the SDCERS pension system.

3. COMMENTS FROM TRUSTEES, STAFF, ADMINISTARTOR, ATTORNEY

It is requested that at the next meeting that Jeff Nipp can review the State street Global advisor statement.

4. PUBLIC COMMENT

5. NEXT MEETING

August 18, 2021 at 1:30pm

6. ADJOURNMENT

Meeting adjourned at 2:06 p.m.

Backup documentation is available from the Risk Management Department