



Agenda Item No. (7)

To: Finance-Auditing Committee/Committee of the Whole
Meeting of April 21, 2022

From: Alice Ng, Director of Fiscal Resources
Joseph M. Wire, Auditor-Controller
Denis J. Mulligan, General Manager

Subject: **ANNUAL REVIEW OF THE DISTRICT'S 457(b) DEFERRED
COMPENSATION AND 401(a) DEFINED CONTRIBUTION PROGRAMS**

Recommendation

This report is provided for informational purposes only and does not require any action.

Summary

This is the annual staff report to the Board regarding the Golden Gate Bridge, Highway and Transportation District's (District) 457(b) Deferred Compensation Plan and 401(a) Defined Contribution Plan (collectively as "the Plans"), both administered by MissionSquare Retirement ("MissionSquare")¹. The purpose of this report is to review and report on the Plans' funds and service provider's performance and to summarize amendments and/or changes made to the administration of the Plans and Policy Statement during the 2021 calendar year.

On March 22, 2022, District staff, led by NFP Retirement, Inc. ("NFP"), the District's deferred compensation and defined contribution consultant, conducted an annual review of the Plans' investment fund performance and MissionSquare, as the Plans' service provider, and found both to be satisfactory.

Below is a summary of the amendments and/or changes to the administration of the Plans as well as selected fund statistics and information regarding Plans' asset allocation, Plans' fund performance, watch list, and Plans' fees and charges.

Amendments and/or Changes to the Administration of the Plans

There were no new amendments to the Plans during 2021. MissionSquare will work with staff in 2022 to complete a 401(a) Plan restatement as required approximately every 6 years. Since the

¹ In March 2021, ICMA-RC announced that it was rebranding its name to "MissionSquare Retirement". With the change, MissionSquare Retirement will remain the same non-stock, non-profit, mission-based company focused on delivering results-oriented retirement plans, education, investments, and advice. There will be no changes to service or action steps required by the District as a result of the brand name.

rebranding of the MissionSquare’s name (from ICMA-RC) during 2021, staff has not experienced any change in service quality as result of the brand change. Recently MissionSquare announced the upgrade of its plan and account access websites for all employers and participants, coming in 2022. In the following months, MissionSquare will inform the District and all participants through multiple communication channels about the new platform capabilities.

Investment Policy Review

The Investment Policy Statement establishes the framework for investment asset class options, fund selection, and fund performance evaluation. The current Investment Policy is applicable to both the District’s 457(b) and 401(a) plans as they both have the same investment line up. As of December 31, 2021, the Plans were in full compliance with the Investment Policy Statement.

457(b) Plan

<u>457(b) Fund Statistics</u>		
	2021	2020
Plan Assets at December 31:	\$ 124,820,297	\$ 110,166,453
Plan Participants:	931	974
Active Plan Participants:	549	597
Average balance/participant	\$ 134,071	\$ 113,107
Contributions	\$ 4,628,314	\$ 5,024,149
Average contribution/participant	\$ 8,430	\$ 8,416
Rollouts/Lump Sum	\$ 1,877,641	\$ 542,833
# of Rollouts	20	5
Distributions	\$ 3,579,917	\$ 4,080,592
# of Distributions	758	783

Total assets in the 457(b) Plan were \$124.8 million as of December 31, 2021, an increase of \$14.6 million (or 13%) from \$110.2 million as of December 31, 2020. Total 457(b) Plan participants (current employees and retirees) decreased from 974 at December 31, 2020, to 931, as the number of active Plan participants decreased from 597 to 549 during the same period. Contributions in 2021 were \$4.6 million as compared to \$5 million in 2020. The average contribution per active participant increased slightly to \$8,430 from \$8,416 in 2020. The average account balance increased to \$134,071 at December 31, 2021, from \$113,107 at December 31, 2020.

Assets rolling out of the Plans increased from \$542,833 in 2020 to \$1.9 million in 2021, while distributions decreased from \$4.1 million to \$3.6 million. Despite the \$1.9mm of assets rolling out during 2021, a retention rate of 98.4% is still considered excellent and is one of the highest amongst MissionSquare’s clients.

During 2021, despite COVID-19, MissionSquare Retirement Plan Specialist, Kim Hammond, and MissionSquare’s Financial Planning Manager, Bill Eagan, continued to meet with participants

(current employees and retirees) through virtual appointments, resulting in 164 one-on-one consultations during 2021 (and 229 in 2020). As part of ongoing education and communication with District employees, MissionSquare conducted various seminars and webinars covering a variety of topics of interest to retirees and near retirees.

401(a) Plan

<u>401(a) Fund Statistics</u>		
	2021	2020
Plan Assets at December 31:	\$ 908,270	\$ 705,658
Plan Participants:	31	27
Active Plan Participants:	24	21
Employer Contributions	\$ 42,247	\$ 45,792
Employee Contributions	\$ 32,209	\$ 35,792
Total Contributions	\$ 74,456	\$ 81,584

The assets in the 401(a) Plan are administered by MissionSquare in the same manner as the 457(b) Plan. Both Plans also share the same investment line up. The total assets in the 401(a) Plan were \$908,270 as of December 31, 2021, an increase of \$202,613 (or 29%) from \$705,658 as of December 31, 2020.

There are three employee eligibility groups in the 401(a) Plan:

- (1) **“SERP” Group** – In December 2012, the Board authorized the adoption of the MissionSquare 401(a) Defined Contribution Plan and the termination of the District’s defined benefit Supplemental Retirement Plan (“SERP”). SERP assets of the four participants were then rolled into newly established participants’ accounts in the 401(a) Plan. As of December 31, 2021, there are two active participants in the SERP eligibility group. In accordance with the SERP Group participants’ employee contracts, the District contributed \$10,000 in 2021 and 2020. Employees in the SERP Group may not voluntarily contribute into the 401(a) Plan.

- (2) **“PEPRA” Group** – With Board approval in 2015, this eligibility group was established for non-represented employees who are considered “new members” (hired on or after January 1, 2013, without reciprocity) under the California Public Employees’ Pension Act of 2013 (“PEPRA”), who are in the District’s sponsored CalPERS 2% @ 62 Plan. The District’s employer contributions for the PEPRA eligibility group is a 100% employee match. Once the eligibility requirement is fulfilled, the PEPRA employee is required to contribute the CalPERS’ 2% @ 62 Plan’s employee contribution rate (stipulated by CalPERS as 50% of normal cost, or 7%) on his/her PERSable wages that exceed the wage limit set by PEPRA for the applicable calendar year (i.e., \$126,291 for 2020; \$128,059 for 2021). In 2021, there were 17 employees (compared to 16 in 2020) who earned wages that exceeded the wage limit set by PEPRA. Total employee contributions for the PEPRA Group from these 17 employees totaled \$25,098 in 2021 (compared to \$27,394, in 2020), that the District matched 100%. Note that the PEPRA wage limit has increased to \$134,974 for 2022.

- (3) **“2% @ 60” Group** – In August 2016, the Board authorized adding a new eligibility group for non-represented Classic 2% @ 60 employees to supplement the difference in pension benefits between the two classic CalPERS plans (2% @ 60 vs. 2.5% @ 55). A 2% @ 60 employee contributes the difference between the CalPERS’ 2.5% @ 55 Plan’s employee contribution rate (currently at 8% as stipulated by CalPERS) on his/her PERSable wages, and the CalPERS’ 2% @ 60 Plan’s employee contribution rate (currently at 7% as stipulated by CalPERS). The District matches the 2% @ 60 employee's contribution. Six employees in 2021 and six employees in 2020, were eligible for this eligibility group. Total employee contributions for the 2% @ 60 Group totaled \$7,149 in 2021 (compared to \$8,398 in 2020), which the District matched 100%.

Plan Asset Allocation

Asset allocation of the combined assets of both Plans at December 31, 2021, and 2020, is summarized in the table below. The largest two asset allocations at December 31, 2021, remain in U.S. Stock Funds at \$57.9 million (46.1%) of assets and in stable value/fixed interest income at \$25.9 million (20.6%) of assets.

	At December 31, 2021		At December 31, 2020	
	COMBINED PLANS		COMBINED PLANS	
	Plan	%	Plan	%
	Assets	of Assets	Assets	of Assets
Stable Value/Money Market Funds/CDs	\$ 25,927,872	20.6%	\$ 28,827,955	26.0%
Bond Funds	\$ 11,490,511	9.1%	\$ 6,393,768	5.8%
Balanced/Asset Allocation Funds	\$ 17,584,989	14.0%	\$ 15,189,112	13.7%
U.S. Stock Funds	\$ 57,913,868	46.1%	\$ 48,146,393	43.4%
International Stock Funds	\$ 12,403,077	9.9%	\$ 11,881,307	10.7%
Self Directed Brokerage	\$ 408,251	0.3%	\$ 433,575	0.4%
Total	\$ 125,728,568	100.0%	\$ 110,872,110	100.0%

Plan Fund Performance

The individual fund performance for all the funds in the Plans is detailed in Exhibit A. Results utilizing NFP’s Scorecard Methodology, as per the Plans’ Investment Policy, showed many funds received good and acceptable scores (7-10). Three funds with scores of 6 are on the Watch List and are discussed in the section below. All other funds not on the Watch List were reviewed and met qualitative reviews and/or scoring of acceptable to good.

Watch List and Lineup Changes

The Watch List, below, contains funds that did not meet the criteria standards as outlined in the Investment Policy, such as scoring 6 or below in the Scorecard Point System. NFP will continue to monitor these three funds in the upcoming quarters and advise staff of any future recommended actions.

Watchlist	Asset Class	Fund	Score
	LCG	Large Cap Growth I1 (ClearBridge LCG)	6
	SCV	Small Cap Value I1 (Columbia SCV)	6
	GE	American Funds Capital World Gr&Inc R6	6

There is only one lineup change recommended by NFP and that is to add a 2065 target date series to the TIAA-CREF Target Date Funds. It is anticipated that this fund will be added by June/July 2022.

Add	Asset Class	Fund	Score
	Group Series	TIAA-CREF Lifecycle Index 2065 Instl	9

Fees and charges

The Plans’ expenses (both investment manager fund fees and Plan administration expenses) are paid by the participants. The District pays no fees to MissionSquare. The Participants continue to enjoy high performing funds with the lowest-cost share classes or indexes available to the Plans. A summary of total Plan fees and charges is summarized below:

	2021		2020	
Investment Managers	\$ 301,142	0.3182%	\$ 274,095	0.3153%
MissionSquare Record Keeping	\$ 47,736	0.0400%	\$ 39,419	0.0400%
District Administrative Allowance	\$ 32,819	0.0275%	\$ 27,100	0.0275%
	\$ 381,698	0.3857%	\$ 340,614	0.3828%
Optional Service Fees (a)	\$ 76,394		\$ 46,239	
	\$ 458,092		\$ 386,853	
(a) Optional Service Fees				
Managed Fee	\$ 76,159		\$ 45,929	
Self Directed Brokerage	\$ 50		\$ 50	
Overnight Delivery	\$ 185		\$ 260	
	\$ 76,394		\$ 46,239	

Investment manager fees vary by participant fund selection ranging from 4 basis points for index funds to 80 basis points for actively managed funds (.04% - 0.80%). The investment manager fee for the Plans averaged 31.8 basis points (0.318%) or \$301,142 for 2021, and 31.5 basis points (0.315%) or \$274,095 for 2020. As negotiated in 2019, the MissionSquare’s record keeping fee is 4 basis points (0.04%), totaling \$47,736 in 2021 and \$39,419 in 2020. In addition, MissionSquare collects 2.75 basis points (0.0275%), on behalf of the District, as an annual allowance for the District to pay for certain administrative and education costs to monitor the Plan. The District uses these funds to pay for the NFP consulting contract (annual investment review and Plan Provider RFP/renegotiation process), legal fees, and other education courses (i.e., NAGDCA) for District staff relating to the Plans. The District received \$32,819 as its annual

administrative allowance for 2021, and \$27,100 for 2020. Staff periodically reviews the accumulated balance in the administrative allowance account and if expenses are lower than what is needed, the District rebates the amount not needed back to its participants. At March 22, 2022, the administrative allowance account is \$55,914.

Fiscal Impact

There is no fiscal impact associated with this informational report.

Attachment: Exhibit A. Fund Performance



Fund Performance

GOLDEN GATE BRIDGE HWY AND TRN

Quarterly Report as of 12/31/2021

Fund past performance, as shown, is no guarantee of how the Fund will perform in the future. The performance shown has been annualized for periods greater than one year. Investment returns and principal value will fluctuate, so that an investor's shares, when redeemed, may be worth more or less than their original cost. For current performance, participants or plan sponsors in a MissionSquare Retirement administered account can log in at www.icmarc.org, or institutions can go to www.vantagepointfunds.org.

Stable Value/Cash Management	Prior QTR Ended 12/31/2021	YTD	1 Year	3 Year	5 Year	10 Year	Since Inception	Inception Date	Gross Expense Ratio	Net Expense Ratio
MissionSquare PLUS R10 ^{A, B, C, D, E, F}	0.46%	1.89%	1.89%	2.19%	2.19%	2.20%	-	Oct 2013	0.53%	0.53%
Fidelity Govt Money Mkt ^{G, H, I}	0.00%	0.01%	0.01%	0.70%	0.82%	0.42%	2.58%	Feb 1990	0.42%	0.42%

Bond	Prior QTR Ended 12/31/2021	YTD	1 Year	3 Year	5 Year	10 Year	Since Inception	Inception Date	Gross Expense Ratio	Net Expense Ratio
Vngrd Ttl Bd Mkt Idx Adm ^{G, I, II, J}	(0.09%)	(1.67%)	(1.67%)	4.82%	3.58%	2.86%	4.08%	Nov 2001	0.05%	0.05%
flexPATH Core Bond I1 ^G	0.15%	0.19%	0.19%	5.50%	-	-	3.99%	Jan 2018	0.21%	0.21%
PIMCO Real Return Instl ^{G, I, II, J}	2.14%	5.67%	5.67%	8.73%	5.54%	3.23%	5.91%	Jan 1997	0.47%	0.47%

Balanced/Asset Allocation	Prior QTR Ended 12/31/2021	YTD	1 Year	3 Year	5 Year	10 Year	Since Inception	Inception Date	Gross Expense Ratio	Net Expense Ratio
TIAA-CREF Life Idx Ret In ^{G, I, II, III, K}	2.67%	7.14%	7.14%	11.47%	8.30%	7.08%	7.13%	Sep 2009	0.22%	0.10%
TIAA-CREF Life Index 2015 ^{G, I, II, III, K}	2.93%	7.85%	7.85%	12.32%	8.99%	8.10%	7.98%	Sep 2009	0.20%	0.10%
TIAA-CREF Life Index 2025 ^{G, I, II, III, K}	3.72%	10.14%	10.14%	14.51%	10.61%	9.73%	9.29%	Sep 2009	0.19%	0.10%
TIAA-CREF Life Index 2035 ^{G, I, II, III, K}	4.74%	13.21%	13.21%	17.18%	12.49%	11.45%	10.68%	Sep 2009	0.18%	0.10%
TIAA-CREF Life Index 2045 ^{G, I, II, III, K}	5.82%	16.65%	16.65%	19.76%	14.14%	12.53%	11.53%	Sep 2009	0.17%	0.10%
TIAA-CREF Life Index 2055 ^{G, I, II, III, K}	6.07%	17.39%	17.39%	20.25%	14.47%	12.73%	10.84%	Apr 2011	0.18%	0.10%

U.S. Stock	Prior QTR Ended 12/31/2021	YTD	1 Year	3 Year	5 Year	10 Year	Since Inception	Inception Date	Gross Expense Ratio	Net Expense Ratio
Wilmington Tr Large Val ^G	7.23%	27.29%	27.29%	21.00%	-	-	16.48%	Dec 2018	0.29%	0.29%
Vngrd Dividend Growth Inv ^{G, I, II}	11.57%	24.84%	24.84%	22.36%	16.97%	14.65%	9.57%	May 1992	0.26%	0.26%
Vngrd Institutional Idx ^{G, I, II}	11.02%	28.67%	28.67%	26.05%	18.44%	16.52%	10.88%	Jul 1990	0.035%	0.035%
Vngrd Total Stk Mkt Index ^{G, I, II}	9.16%	25.71%	25.71%	25.77%	17.98%	16.29%	8.61%	Nov 2000	0.04%	0.04%
Large Cap Growth ^G	9.02%	22.34%	22.34%	28.64%	-	-	20.87%	Aug 2018	0.29%	0.29%
Vngrd Mid-Cap Idx Admiral ^{G, I, II, L}	7.97%	24.51%	24.51%	24.48%	15.86%	15.12%	11.19%	Nov 2001	0.05%	0.05%
Vgrd Extended Mkt Idx Adm ^{G, I, II, L, M}	0.70%	12.45%	12.45%	23.93%	15.30%	14.97%	9.44%	Nov 2000	0.06%	0.06%
JPM Small Cap Equity R5 ^{G, I, II, III, N}	5.76%	16.22%	16.22%	21.09%	13.39%	14.67%	11.59%	May 2006	0.85%	0.80%
Vngrd Small-Cap Index Adm ^{G, I, II, N}	3.87%	17.73%	17.73%	21.33%	13.49%	14.16%	10.05%	Nov 2000	0.05%	0.05%
Wilmington Tr Small Val ^G	7.73%	34.54%	34.54%	-	-	-	18.74%	Aug 2019	0.40%	0.40%

International/Global Stock	Prior QTR Ended 12/31/2021	YTD	1 Year	3 Year	5 Year	10 Year	Since Inception	Inception Date	Gross Expense Ratio	Net Expense Ratio
Am Funds Cap World G&I ^{G, I, II, O}	6.48%	15.15%	15.15%	18.79%	13.55%	11.96%	11.93%	May 2009	0.42%	0.42%
Vngrd Developed Mkt Idx ^{G, I, II, O}	2.99%	11.43%	11.43%	14.46%	10.15%	8.51%	4.89%	Aug 1999	0.07%	0.07%

GENERAL Disclosures

Investment options listed were available at the time this information was generated and can change overtime. Investment option performance is available the 5th business day after month end and benchmark/peer group performance is available on the 10th business day after quarter end. Information prior to those time periods may be incomplete. Please refer to <https://www.icmarc.org/for-individuals/education/glossary> for a glossary of investment and fee related terms.

INVESTMENT OPTION Disclosures

- A. MissionSquare Retirement and your employer may negotiate a different fund management or service fee for your Plan that would lower the total expense ratio. The performance and total expense ratio shown do not reflect any such alternative fee arrangements.
- B. Before investing in the Fund you should carefully consider your investment goals, tolerance for risk, investment time horizon, and personal circumstances. There is no guarantee that the Fund will meet its investment objective and you can lose money.
- C. Performance information for this class prior to its inception date is the performance of the Fund adjusted to reflect the estimated fees and expenses of this class.

- D. The Fund is an investment option of VantageTrust, a group trust established and maintained by VantageTrust Company, LLC, a wholly owned subsidiary of MissionSquare Retirement. VantageTrust provides for the commingling of assets of certain trusts and plans as described in its Declaration of Trust, and is only available for investment by such eligible trusts and plans. The Fund is not a mutual fund. Its units are not deposits of VantageTrust Company and are not insured by the Federal Deposit Insurance Corporation or any other agency. The Fund is a security that has not been registered under the Securities Act of 1933 and is exempt from investment company registration under the Investment Company Act of 1940. For additional information regarding the Fund, including a description of the principal risks, please consult the Funds Disclosure Memorandum, which is available when plan administration clients log in at www.icmarc.org, at www.vantagepointfunds.org for institutions, or upon request by calling 800-669-7400.
- E. When Funds are marketed to institutional clients, the Funds are offered by MissionSquare Investment Services, an SEC registered broker-dealer and FINRA member firm. MissionSquare Investment Services is a wholly-owned subsidiary of MissionSquare Retirement and is an affiliate of VantageTrust Company, LLC and MissionSquare Investments.
- F. Effective September 10, 2021, the Vantagepoint Funds are now known as the MissionSquare Funds.
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- H. You could lose money by investing in the Fund. Although the Fund seeks to preserve the value of your investment at \$1.00 per share, it cannot guarantee it will do so. An investment in the Fund is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency. The Fund's sponsor has no legal obligation to provide financial support to the Fund, and you should not expect that the sponsor will provide financial support to the Fund at any time.
- I. Please read the fund's prospectus or disclosure materials carefully for a complete summary of all fees, expenses, investment objectives and strategies, risks, financial highlights, and performance information. Investing involves risk, including possible loss of the amount invested. Investors should carefully consider the information contained in the prospectus or disclosure materials before investing. To request a prospectus or disclosure materials, you may contact us by calling 800-669-7400, or log in at www.icmarc.org.
- J. A fixed income fund is subject to credit risk and interest rate risk. Credit risk is when an issuer of a fixed income security may be unable or unwilling to make payments of principal or interest to the holders of these securities or may declare bankruptcy. Fixed income securities fluctuate in value as interest rates change. When interest rates rise, the market prices of fixed income securities will usually decrease; when interest rates fall, the market prices of fixed income securities usually will increase.
- K. The Fund is not a complete solution for all of your retirement savings needs. An investment in the Fund includes the risk of loss, including near, at or after the target date of the Fund. There is no guarantee that the Fund will provide adequate income at and through an investor's retirement.
- L. Funds that invest primarily in mid-capitalization companies involve greater risk than is customarily associated with investments in larger, more established companies. Equity securities of mid-capitalization companies generally trade in lower volume and are generally subject to greater and less predictable price changes than the securities of larger companies.
- M. Certain funds may be subject to style risk, which is the possibility that the investment style of its investment adviser will trail the returns of the overall market. In the past, different types of securities have experienced cycles of outperformance and underperformance in comparison to the market in general. For example, growth stocks have performed best during the later stages of economic expansion and value stocks have performed best during periods of economic recovery. Both styles may go in and out of favor. When the investing style used by a fund is out of favor, that fund is likely to underperform other funds that use investing styles that are in favor.

- N. Funds that invest primarily in small-capitalization companies involve greater risk than is customarily associated with investments in larger, more established companies. Equity securities of small-capitalization companies are generally subject to greater price volatility than those of larger companies due to less certain growth prospects, the lower degree of liquidity in the markets for their securities, and the greater sensitivity of smaller companies to changing economic conditions. Also, small-capitalization companies may have more limited product lines, fewer capital resources and less experienced management than larger companies.
- O. Funds that invest in foreign securities are exposed to the risk of loss due to political, economic, legal, regulatory, and operational uncertainties; differing accounting and financial reporting standards; limited availability of information; currency fluctuations; and higher transaction costs. Investments in foreign currencies or securities denominated in foreign currencies (including derivative instruments that provide exposure to foreign currencies) may experience gains or losses solely based on changes in the exchange rate between foreign currencies and the U.S. dollar. The risk of investing in foreign securities may be greater with respect to securities of companies located in emerging market countries. The value of developing or emerging market currencies may fluctuate more than the currencies of companies with more mature markets.

EXPENSE Disclosures

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