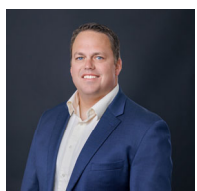


Effective Governance and Fiduciary Excellence in Public Sector DC Plans



BEN HENSARLING
State of Florida



JOE CARTER
Mariner Institutional



JAY CASTELLANO
County of San Mateo

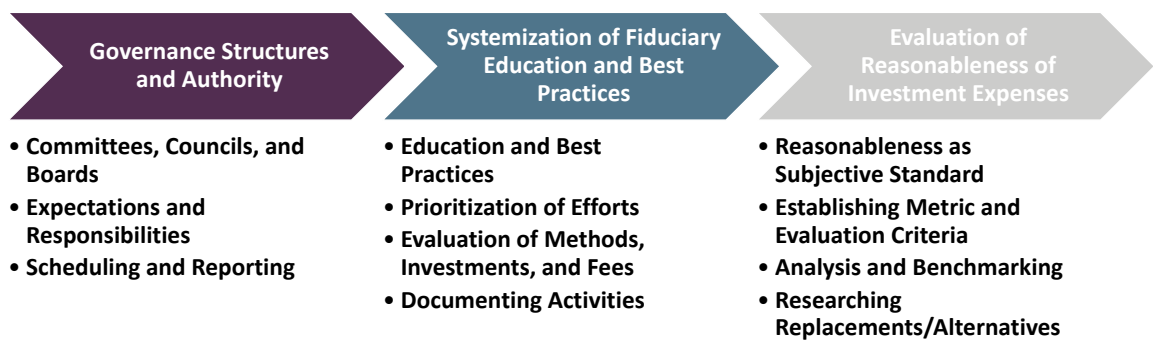


HANNAH SCHRINER
Meketa Investment Group



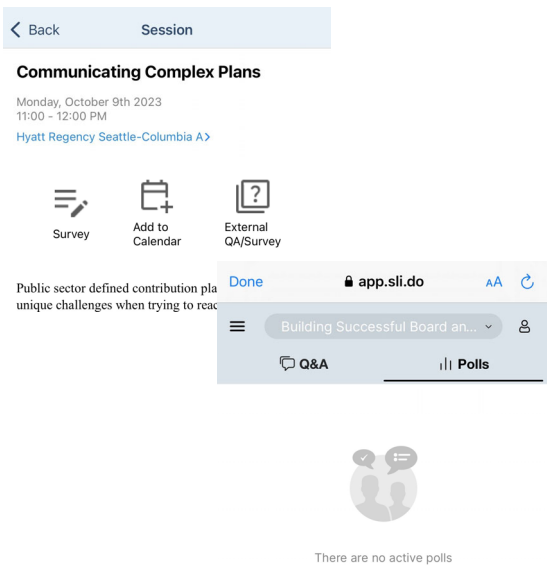
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Overview



Polling

- 1. Open this session in the app.
- 2. Select “External QA/Survey.”
- 3. Select “Polls.”
- 4. Submit your response(s) as the poll(s) open.



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Are you a government employee of the Plan?

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Do you personally consider yourself to be a Plan Fiduciary?

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Are You a Fiduciary to the Plan?

- A fiduciary is someone who manages money or property for someone else. (Consumer Financial Protection Bureau)
- Fiduciaries are persons or organizations that act on behalf of others and are required to put the clients' interests ahead of their own, with a duty to preserve good faith and trust. Fiduciaries are thus legally and ethically bound to act in the other's best interests. (Investopedia)



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Are You a Fiduciary to the Plan?

- ERISA (Employee Retirement Income Security Act of 1974)
29 U.S.C. §1002 (Definitions)
 - 3(16) –Plan Sponsor (“Named”) or Administrator (“Delegated”)
 - 3(21) –Exercises discretionary authority in plan management, administration, disposition of assets, or rendering advice for a fee. (“Functional”)
 - 3(38) – Investment Manager
 - Power to manage, acquire, dispose of Plan assets
 - Individuals, banks, insurance companies
 - Acknowledged in writing



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Are You a Fiduciary to the Plan?

- Don't Forget State Law!
 - Generally, applicability of Trust Laws(Trustee/Beneficiary/Settlor)
 - Florida has 382 statutory references to fiduciary
 - Basic Fiduciary Duties Under 738.201(1), Florida Statutes:
 - Act in good faith, based on what is a fair and reasonable fee to all beneficiaries
 - Administer impartially and in accordance with terms







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Types of *Fiduciary Duty*

 Duty of care	 Duty of loyalty	 Duty of good faith
 Duty of confidentiality	 Duty of prudence	 Duty to disclose




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Governance Best Practices




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Which best describes Plan Fiduciary Insurance for your Plan?

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Importance of Governance

- Prudent decision-making is critical to the long-term success of any plan.
- Given the growing list of challenges facing public defined contribution plans, the stakes are higher.
- By developing strong governance policies, plan fiduciaries can increase the likelihood of making sound investment decisions, therefore increasing the likelihood of long-term success.
- Good process today makes better decisions tomorrow.



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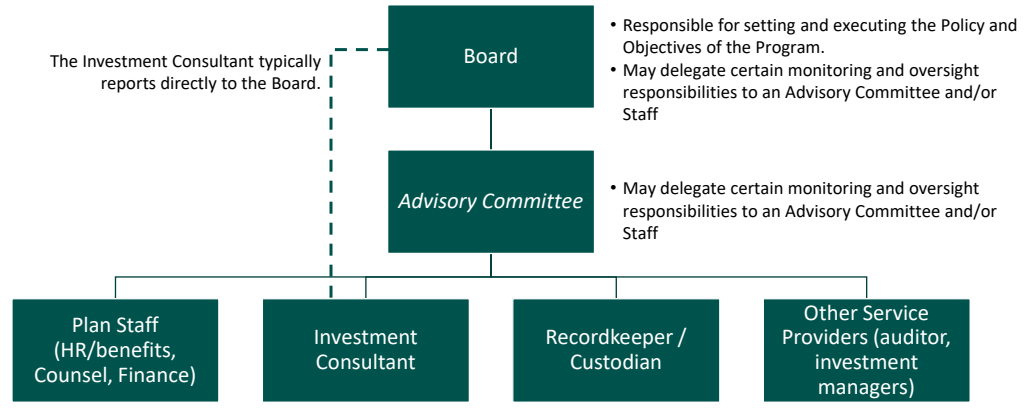
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Governance Best Practices

- Have a well-defined philosophy that articulates the goals and objectives of the Plan
- Have an engaged Committee/Board that meets regularly
- Develop/maintain an Investment Policy Statement that is reviewed periodically
- Clearly define roles and responsibilities (typically in the IPS)
- Document Committee/Board decisions
- Provide education to Committee/Board members
- Develop investment beliefs
- Periodically review plan documents
- Regularly review plan investment performance and fees
- Regularly review plan services providers to ensure fees and services are appropriate



Sample Governance Structure



Systemization of Fiduciary Education and Best Practices


Jay Castellano
jcastellano@smcgov.org
408-757-8073




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Which best describes efforts to systematize Plan practices?

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Purpose



To... Demonstrate how the County of San Mateo systematizes its fiduciary practices.

So that... Session attendees have a modest example to which they can compare their own practices.

Products



- Understanding of the County of San Mateo plan
- Understanding of the County's priority areas of focus regarding fiduciary practices
- Understanding of the County's systemizations of fiduciary practices
- Three 💰 ideas for updating or modifying own practices to better ensure the execution of fiduciary duties



Plan Profile

- **Plan Types:** 457b, 401a, OBRA (457b and 401a), 115 IPT
- **Total Assets (March 31, 2024):** \$803,092,591
- **Total Participants:** 19,806
- **Participation Rate:** 93%
- **Key Features:** Auto-enroll and auto-escalate for most unions
- **Service Providers:**
 - Recordkeeper – Empower
 - Consultant - Innovest

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County of San Mateo Chart of Auto-Enroll, Auto-Escalate

Auto-Escalation						Auto-Enrollment					
CNA	California Nurses Association					AFSCME	American Federation of State, County and Municipal Employees				
DSA	Deputy Sheriffs Association					BCTC	Building & Construction Trades Council				
LEU	Law Enforcement Unit					SEIU	Service Employees International Union				
MAC	Management & Confidential					CNA	California Nurses Association				
PDA	Probation & Detention Association					DSA	Deputy Sheriffs Association				
SMCCE	San Mateo County Council of Engineers					LEU	Law Enforcement Unit				
UAPD	Union of American Physicians & Dentists					MAC	Management & Confidential				
OSS	Organization of Sheriff's Sergeants					PDA	Probation & Detention Association				
						SMCCE	San Mateo County Council of Engineers				
						UAPD	Union of American Physicians & Dentists				
						OSS	Organization of Sheriff's Sergeants				
Auto-Escalation	2019	2020	2021	2022	2023	2024	2025	2026			
January											
February		CNA	CNA	MAC		LEU	LEU				
March		SMCCE	SMCCE			SMCCE					
April											
May		CNA	UAPD	UAPD		UAPD	UAPD				
June			PDA	PDA		PDA	PDA				
July		SMCCE									
August		PDA									
September											
October					MAC	MAC					
November		CNA			PDA						
December		MAC	MAC	LEU		CNA	LEU	LEU	LEU	LEU	

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County of San Mateo Deferred Compensation Advisory Committee Governance Environment



- ERISA Standards
- California Constitution
- Brown Act
- Rosenberg's Rules of Order




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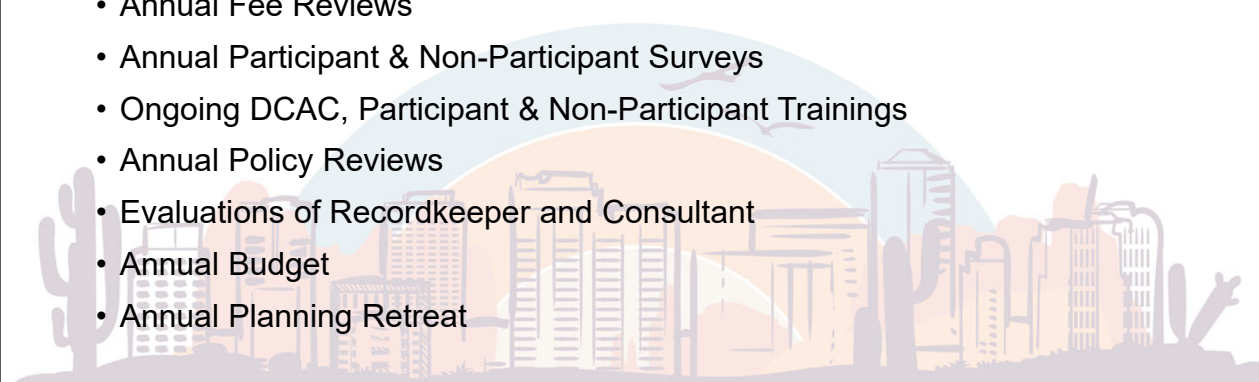
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Priority Areas of Fiduciary Practice



- Quarterly & Annual Plan Reviews
- Quarterly & Annual Investment Reviews
- Annual Fee Reviews
- Annual Participant & Non-Participant Surveys
- Ongoing DCAC, Participant & Non-Participant Trainings
- Annual Policy Reviews
- Evaluations of Recordkeeper and Consultant
- Annual Budget
- Annual Planning Retreat



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DEFERRED COMPENSATION ADVISORY COMMITTEE RECURRING QUARTERLY AGENDA ITEMS			
<p>Q1 Meetings</p> <ul style="list-style-type: none"> Empower quarterly plan review – full report of Q4 Innovest quarterly investment performance review of Q4 Empower Affirmation of Plan Document Compliance Final Education Plans for Committee and for Participants NAGDCA Participation/Award Consideration Investment Policy review (annual) Innovest annual investment performance review Annual survey review – discuss results 	<p>Q2 Meetings</p> <ul style="list-style-type: none"> Empower quarterly plan review – abbreviated report of Q1 Empower Annual Plan review Innovest quarterly investment performance review of Q1 Finalize NAGDCA conference attendees Recordkeeper performance review Budget/Workplan Fund balance policy Reserve policy Annual Survey: Include workplan items in new budget, as appropriate 	<p>Q3 Meetings</p> <ul style="list-style-type: none"> Empower quarterly plan review – full report of Q2 Innovest quarterly investment performance review of Q2 Education Policy review (annual) Due Diligence – special services Annual Survey: Discuss, provide direction on next survey 	<p>Q4 Meetings</p> <ul style="list-style-type: none"> Empower quarterly plan review – full report of Q3 Innovest quarterly investment performance review of Q3 Education Plan for Participants, Non-Participants Education Plan for DCAC NAGDCA Highlights Cyber security review (annual) Annual Survey: Review, approve survey Updates on SECURE 2.0 opportunities

<https://www.smcgov.org/hr/deferred-compensation-governance>

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Training Programs

The **DCAC’s fiduciary trainings** are based on input and feedback from DCAC members in the Annual Retreat. The trainings are provided by Innovest during the quarterly DCAC meetings.



2024 Quarterly Trainings

- Investment Fundamentals
- Intermediate Investing
- Lessons Learned from the Courtroom
- Fiduciary Education



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Training Programs



- **Participant and non-participant educational programs** are based on annual participant and non-participant surveys.
- The educational programs are provided by Empower with delivery assistance by County staff.
- Wherever possible, all stakeholders focus on efforts that can be benchmarked beforehand, and measure and assessed afterwards.



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2024 Participant Communications and Engagement Calendar – Proposed Generated at a plan level or specified audience

Personalized participant communications (ECE) – AUTOMATED and ONGOING			
<small>Participation Welcome Complete your profile See where you stand Investing Consolidation Managed accounts</small>			
Q1	Q2	Q3	Q4
Campaign: Security Guarantee and Email Capture campaign Promote Account Security through email capture campaign My Total Retirement and Online Advice Rollout announcement to promote Empower Advisory Service	Campaign: Empower Platform Understanding "Lifetime Income Score" My Total Retirement and Online Advice Three-month campaign to promote advice service	Campaign: Shape up your Financial Future Custom campaign to increase contributions	Campaign: Asset Retention Highlights distribution options and benefits of leaving money in the plan National Retirement Security Month Multiple campaign messages to promote plan participation
New Hire Employee Orientation & Extra Help – ONGOING			
Education: <ul style="list-style-type: none"> • Retirement Readiness Reviews • Account Security Seminar 	Education: <ul style="list-style-type: none"> • Retirement Readiness Reviews • Website Demonstration • Retirement Readiness Seminar 	Education: <ul style="list-style-type: none"> • Retirement Readiness Reviews • Website Demonstration • Save More • Roth vs Pre-Tax 	Education: <ul style="list-style-type: none"> • Retirement Readiness Reviews • Stay in the Plan Distribution Options

The Retirement Readiness Review is provided by an Empower representative registered with Empower Advisory Group, LLC and may provide investment counseling and/or recommendations at no additional cost to participants. There is no guarantee provided by any party that use of the review will result in a profit. FOR FINANCIAL PROFESSIONALS AND PLAN SPONSORS USE ONLY. ©2024 EMPOWER, LLC. ALL RIGHTS RESERVED.



Annual Policy Reviews



DCAC policies are reviewed annually per the schedule in the agenda, including the following.

- Education Policy
- Investment Policy
- Annual Budget, including Fund Balance and Reserve Policies
- Cyber-Security Review
- Confirmation of Recordkeeper's Special Services (e.g., catch-up applications, hardship applications, loan administration, QDRO services)

Evaluations of Service Providers



Recordkeeper Evaluation – Conducted by consultant based on performance guarantees

- The County's recordkeeper, Empower, is evaluated based on contractually obligated performance guarantees.
- The consultant, Innovest, conducts the annual evaluation and reports to the DCAC.

Consultant Evaluation – Self-evaluation tool reviewed and approved by DCAC

- The consultant, Innovest, is evaluated using their proprietary self-evaluation tool that was reviewed and approved by the DCAC.
- The self-evaluation report is provided to the DCAC annually.

Quarterly Meeting Procedures



PRE-MEETING

- Review minutes, action items from previous meeting
- Review agenda for upcoming meeting, including outstanding deliverables
- Attendees: DCAC chair, Empower, Innovest, staff

QUARTERLY DCAC MEETINGS


POST-MEETING


- Review draft minutes from recent meeting, including action items for next three months
- Review draft agenda for upcoming meeting, confirming attachments and consensus on the desired direction of each discussion
- Attendees: DCAC chair, Empower, Innovest, staff

Evaluation of Reasonableness of Plan Expenses




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Which best describes efforts to monitor reasonableness of Plan fees?

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Evaluating Reasonableness as a Subjective Standard

- What are the actual Costs to the Plan and Participants?
- Are you getting Value for the fees?
- How does a plan sponsor decide what is Reasonable?



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Establishing Metrics and Evaluation Criteria

- Investment Policy Statement
- Fee Policy

PUBLIC PLAN
457(b) Deferred Compensation Plan
Adopted 12/14/1993
Investment Policy Statement

I. PURPOSE OF INVESTMENT POLICY STATEMENT

The Administrative Committee (Committee) of the Public Plan 457(b) Deferred Plan (Plan) has adopted this Investment Policy Statement (Policy), and directs the Plan assets, the Plan administrator, investment managers, investment consultants, and other fiduciaries acting on behalf of, or under the direction of the Committee.

This Policy is intended to provide guidelines, limitations, and required actions to the Committee and service providers for selecting, managing, and monitoring investments (Options) made available to participants and/or beneficiaries (Participants).

This Policy is intended to provide an anchor of stability in times of rapidly changing business and capital market conditions. However, the investment policies and statements are subject to change. Moreover, the existence of this Policy is not intended to restrict or limit the discretion, control or authority of the Committee or any of its members, or to restrict or limit the discretion, control or authority of any of the Participants as circumstances may require.

Periodically, but no less often than once a year, the Committee will meet to review this Policy.

A. Adherence to this Policy.

B. The effectiveness of Plan administration, Participant communications, Participant services to Participant investment success including the use of Options by Participants.

C. Employee information including demographics, participation, contribution and use of Options by Participants.

D. The fit and appropriateness of this Policy with the overall Plan objectives and any changes that are needed to the Plan Options, Plan administration, and Participant services.

E. The reasonableness of the fees incurred by the Plan and confirm that the fees are reasonable and that Participants are receiving a fair value in exchange for the fees they pay.

In addition, the Committee may discuss all items within this section for each of the Plan's Record Keepers and Consultants. Any party may call more than one meeting to discuss any of the items listed above, including any other action relating to the welfare of the Plan.

The results of the Committee's deliberations shall be recorded to provide a record of the Committee's due diligence process. Minutes shall be voted on and approved at the next meeting.

Approved 12/14/1993 - Public Plan 457(b) Deferred Compensation Plan

Sample Plan Committee
Revenue Equalization Policy (DRAFT)

It is the intent of the Retirement Plan Committee (RPC) through this document to outline the policy and method by which plan expenses will be paid in a manner that is equitable for all participants that utilize the Deferred Compensation Plans. The policy will be focused on ensuring that regardless of how a participant is invested, among the various investment menu options, that the fees directed toward record-keeping, administration and communications will be allocated equally among all account holders.

The Retirement Plan Committee will analyze all asset-based investment management fees to determine that they are utilizing the lowest prices share class available for each of the investment offerings that are available to participants. It is understood that from time to time the lowest price share class may still provide a modest amount of revenue sharing back to the record-keeper. Because it is almost impossible to eliminate all revenue sharing, any revenue sharing collected will be used to offset the total plan record-keeping, administration and communications expenses.

Secondly, the RPC will evaluate all recognized plan costs such as record-keeping, administration, communications, advisor and audit costs to determine the annual amount that will be charged back to the trust each year. Some of these costs are constant, while others may fluctuate from year to year depending on special projects, etc. These costs will be stated in an annual asset-based percentage fee and deducted from each account, pro-rated on a quarterly basis. Please see the following example:

For 2024 Example

Record-keeping cost	=0.15%
Sample internal administrative costs (Administration, communication, advisor, audit, etc.)	=0.07%
Plan level revenue sharing credit (Estimate) (Rebated to Participant Accounts)	=-0.05%
Annual Total Deducted from each account	=-0.17%

Annually, fee revenue will be analyzed to determine if any excess revenue was collected. In the event excess revenue was collected, the RPC will determine if these excesses will be applied to the next year to reduce the percentage revenue requirement. As a secondary option, the RPC may also credit back the excess revenues collected on a pro-rata basis to participant accounts within the SDPs.

The ultimate goals of this plan expense policy are to minimize investment management fees at the individual fund level while equitably accessing plan costs at the individual participant level.

Page 1



Establishing Metrics and Evaluation Criteria (cont)

- Asset Based Fees (%)
 - Utilized by 45.9% of Plans
- Per Participant Fees (\$)
 - Utilized by 21.6% of Plans
- Hybrid Options (% + \$ = Total Fee)
 - Utilized by 18.9% of Plans

Source: 65th Annual Survey of Profit Sharing and 401(k) Plans



Benchmarking and Data Analysis

- Industry Benchmarking Surveys
- Request For Information (RFI)
- Request For Proposal (RFP)



Table of Contents

- Governmental DC Plan - Request for Proposal Current Date
- Background
- Selection Criteria
- Plan Details
- Administrative
- Recordkeeping
- Investment Requirements/Certifications
- Plan Experience and Qualifications
- Assigned Service Team Experience
- Plan Sponsor Services
- Participant Services and Education
- Recordkeeping Systems
- Transfer and Implementation
- Plan Fees/Expenses
- Proprietary Products and Services
- References
- Retirement Health Savings Plan (if Optional Plans)

GOVERNMENTAL DC PLAN - REQUEST FOR INFORMATION SEPTEMBER 10, 2024

Comparative Fee Analysis

Recordkeeping Fees	Education Fees	Recordkeeping Fees
Plan Sponsor Services		
1. Provide the information requested in these points for recordkeeping, administrative, education, and communication services to ensure full transparency.		
2. Provide the total amount requested (in a fee-based fee schedule) for administrative, educational, and communication services to ensure full transparency.		
3. Consider your recordkeeping fees compared to a vendor best pricing strategy, relative to proprietary fees and their own portfolio asset allocation.		
4. Provide the number of educational days including travel included in your fee.		
5. Provide the cost of each additional education day including travel.		
6. Provide service fees.		
7. From 10000 or above fee reporting fees.		
8. Consider your pricing.		
9. Provide detailed RFI requirements (including tables for comparison).		
10. Signature (with Form 990 and Form 991).		
11. Business Contact Report.		
12. Annual audit package (including 990 T1).		
13. Website.		
14. Distribution Participant Satisfaction.		

65th Annual Survey
PSCA's Annual Survey of Public Pension and 401(k) Plans

Reflecting 2021 Plan Experience

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Benchmarking and Data Analysis (cont)

Fee Model	Vendor 1	Vendor 2	Vendor 3
Recordkeeping and Administrative Fees - Open Investment Architecture with 4 days of annual onsite education:			
As a % of Participant Assets	0.05%	0.06%	0.055%
Per Participant Account (\$)	\$45	\$50	\$47

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Best Practices for Industry Research of Alternative Fee Models

Research Tools

Investment Options

Services

Recordkeepers

Advisors

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NAGDCA Fees Guide


- Recordkeeping Costs
- Investment Management Fees
- Consulting Fees


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Re-Poll: Do you personally consider yourself to be a Plan Fiduciary?

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Questions?

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2. Select “External QA/Survey.”
3. Type your question and tap send.


CONTINUING EDUCATION CODE:




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Post-session Poll: Based on the information from this session how likely are you to discuss, implement, or update Fiduciary Practices or Evaluate Fees?

ⓘ Start presenting to display the poll results on this slide.