



Agenda Item No. (6)

To: Finance-Auditing Committee/Committee of the Whole
Meeting of April 25, 2024

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"). The purpose of this report is to review and report on the Plans' funds and MissionSquare's performance and to summarize amendments and/or changes made to the administration of the Plans and Policy Statement during the 2023 calendar year.

On March 5, 2024, 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 the Plans' asset allocation, the Plans' fund performance, watch list, and the Plans' fees and charges.

Amendments and/or Changes to the Administration of the Plans

In May 2023, the Board adopted a resolution to provide for participation in the District's 401(a) Defined Contribution Plan by represented employees in the California Public Employees' Pension 2% @ 60 Plan, on the same terms as non-represented employees in the 2% @ 60 Eligibility Group, subject to collective bargaining.¹ The District's 401(a) Plan Document with MissionSquare was amended to effectuate this change.

¹ [https://www.goldengate.org/assets/1/25/2023-0518-rulescomm-no3-adoptresoaddrepemplyeligibilgrp401\(a\)2_60.pdf?10201](https://www.goldengate.org/assets/1/25/2023-0518-rulescomm-no3-adoptresoaddrepemplyeligibilgrp401(a)2_60.pdf?10201)

<https://www.goldengate.org/assets/1/25/2023-0519-boardmeeting-summaryactions1.pdf?10501>

The sixth amendment to the Professional Services Agreement (“PSA”) with MissionSquare extended the term of the agreement by five years through June 16, 2024 with two one-year option terms. As part of the District’s consulting agreement with NFP, NFP issued a detailed renegotiation questionnaire to MissionSquare in November 2023 to evaluate if it is in the best interest to renegotiate with MissionSquare or to issue a new Request for Proposal (“RFP”). Based on MissionSquare’s renegotiation proposal received and ongoing renegotiation discussions, it was determined that it was in the best interest for the District to accept MissionSquare’s renegotiated proposal rather than issue a new RFP. Staff will report back to the Board in a separate staff report in the upcoming months that will summarize the benefits of the improved terms and to request Board authorization for the Auditor-Controller to execute an amendment to the current PSA for a new five-year term with MissionSquare to reflect the improved renegotiated terms and conditions.

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, 2023, the Plans were in full compliance with the Investment Policy Statement.

Plan Assets

457(b) Plan

<u>457(b) Fund Statistics</u>		
	2023	2022
Plan Assets at December 31:	\$ 123,134,878	\$ 105,845,441
Plan Participants:	922	922
Active Plan Participants:	570	581
Average balance/participant	\$ 133,552	\$ 114,800
Contributions	\$ 5,083,639	\$ 4,752,297
Average contribution/participant	\$ 8,919	\$ 8,180

Total assets in the 457(b) Plan were \$123.1 million as of December 31, 2023, an increase of \$17.3 million (16.3%) from \$105.8 million as of December 31, 2022. Total 457(b) Plan participants (current employees and retirees) remained at 922, as the number of active Plan participants decreased from 581 to 570 as of December 31, 2022, and December 31, 2023, respectively. Contributions in 2023 were \$5.1 million as compared to \$4.8 million in 2022. The average contribution per active participant increased to \$8,919 in 2023 from \$8,180 in 2022. The average account balance increased to \$133,552 as of December 31, 2023, from \$114,800 as of December 31, 2022.

During 2023, MissionSquare's Retirement Plan Specialist, Kim Hammond, and MissionSquare’s Financial Planning Manager, Bill Eagan, continued to meet with participants (current employees and retirees) through in person and virtual appointments, resulting in 134 one-on-one consultations during 2023 (and 105 in 2022). 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. Staff also meets quarterly with MissionSquare to build a strategy to increase participation in the Plan and improve educational opportunities for its participants.

401(a) Plan

<i>401(a) Fund Statistics</i>		
	2023	2022
Plan Assets at December 31:	\$ 1,430,252	\$ 1,117,425
Plan Participants:	50	34
Active Plan Participants:	42	30
Employer Contributions	\$ 70,000	\$ 56,879
Employee Contributions	\$ 46,000	\$ 38,379
Total Contributions	\$ 115,999	\$ 95,258

The assets in the 401(a) Plan are administered by MissionSquare in the same manner as the 457(b) Plan. Both Plans share the same investment line up. The total assets in the 401(a) Plan were \$1,430,252 as of December 31, 2023, an increase of \$313,827 (28%) from \$1,117,425 as of December 31, 2022.

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. There were three participants receiving contributions in the SERP eligibility group in 2023 and 2022. In accordance with the SERP Group participants’ employee contracts, the District contributed \$24,000 in 2023 and \$18,500 in 2022. 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% in 2022 and 7.75% effective July 1, 2023) on his/her PERSable wages that exceed the wage limit set by PEPRA for the applicable calendar year (i.e., \$146,042 for 2023; 134,974 for 2022). In 2023 there were 19 employees who earned wages that exceeded the wage limit set by PEPRA, as compared to 17 employees in 2022. Total employee contributions for the PEPRA Group from these 19 employees totaled \$29,835 in 2023 (compared to \$29,770, for the 17 employees in 2022), that the District matched 100%. Note that the PEPRA wage limit has increased to \$151,446 for 2024.

“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). In May 2023, the Board adopted a resolution to add represented employees Classic 2% @ 60 employees on the same terms as non-represented employees in the 2% @ 60 Eligibility Group, subject to collective bargaining. 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. 20 employees in 2023 and 7 employees in 2022, were eligible for this eligibility group. Total employee contributions for the 2% @ 60 Group totaled \$16,164 in 2023 (compared to \$8,609 in 2022), which the District matched 100%.

Plan Asset Allocation

Asset allocation of the combined assets of both Plans as of December 31, 2023, and 2022, is summarized in the table below. The largest two asset allocations as of December 31, 2023, remain in U.S. Equity at \$58.8 million (47.2%) of assets and in Cash Alternatives (stable value and money market funds) at \$29.2 million (23.5%) of assets.

	At December 31, 2023		At December 31, 2022	
	COMBINED PLANS		COMBINED PLANS	
	Plan	%	Plan	%
	Assets	of Assets	Assets	of Assets
US Equity	\$ 58,773,111	47.2%	\$ 45,694,554	42.7%
Cash Alternatives	\$ 29,212,943	23.5%	\$ 28,431,498	26.6%
Asset Allocation	\$ 20,181,844	16.2%	\$ 14,783,121	13.8%
International/Global Equity	\$ 8,448,414	6.8%	\$ 10,135,243	9.5%
Fixed Income	\$ 7,235,803	5.8%	\$ 7,398,442	6.9%
Self Directed Brokerage	\$ 713,015	0.6%	\$ 520,008	0.5%
Total	\$ 124,565,130	100.0%	\$ 106,962,866	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 all funds received good and acceptable scores (7-10).

Watch List and Lineup Changes

All funds were reviewed and met qualitative reviews and/or scoring of acceptable to good. Any 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, would be added to the Watchlist. There were no funds on the Watch List this year.

NFP proposed adding a new Small Cap Growth Fund (Neuberger Berman fund) to the fund lineup. Neuberger Berman fund has a score of 10 on NFP’s Scorecard and its addition complements the current Small Cap Value fund. It was also determined it would be prudent to remove the

JPMorgan Small Cap Blend fund and map its assets to the existing Vanguard Small Cap Index fund. This keeps the number of funds in the line up net neutral, eliminates an extra small cap option, and results in an expense reduction from .80% to 0.05%.

MissionSquare has scheduled these changes to occur on June 14. In mid-May (in advance of the changes), MissionSquare will provide notification to all participants regarding the removal of the JPMorgan Small Cap Blend fund in the line up and the mapping of its assets to the Vanguard Small Cap Blend fund.

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 estimated Plan fees is summarized below:

	2023		2022	
Investment Managers	\$ 292,984	0.24%	\$ 276,881	0.25%
MissionSquare Record Keeping	\$ 50,011	0.04%	\$ 44,267	0.04%
District Administrative Allowance	\$ 34,383	0.0275%	\$ 30,433	0.0275%
	\$ 377,378	0.31%	\$ 351,581	0.32%

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 24 basis points (0.24%) in 2023, and 25 basis points (0.25%) in 2022. According to Morningstar’s 2022 Fee Study, the average weighted expense ratio across all funds was 0.37% (with asset-weighted average fee for Active Funds at 0.59% and Passive Funds at 0.12%).

As negotiated in 2019, MissionSquare’s record keeping fee is 4 basis points (0.04%), totaling \$50,011 in 2023 and \$44,267 in 2022. 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., The National Association of Government Defined Contribution Administrators, Inc. Annual Conference) for District staff relating to the Plans. The District was credited \$34,383 as its annual administrative allowance for 2023, and \$30,433 for 2022. As of December 31, 2023, the administrative allowance account was \$53,363. 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. In Quarter 2 of 2023, \$35,000 was rebated back to the District’s participants.

Fiscal Impact

There is no fiscal impact associated with this informational report.

Attachment: Exhibit A. Fund Performance

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Returns Analysis

Allocation (Series Funds)

Performance as of 12/31/2023

Asset Allocation	Ticker/ I D	QTR	YTD	Annualized Returns				Since Incept.	Share Class Inception	Strategy Inception	Expense Ratio	
				1 Year	3 Year	5 Year	10 Year				Gross	Net
TIAA-CREF Lifecycle Index Ret Inc Instl	TRILX	7.82	11.90	11.90	1.23	6.05	4.91	5.86	9/30/2009	9/30/2009	0.22	0.10
StyleBenchmark		8.15	12.15	12.15	1.13	5.96	4.84	-	-	-	-	-
TIAA-CREF Lifecycle Index 2015 Instl	TLFIX	7.92	12.24	12.24	1.43	6.51	5.32	6.58	9/30/2009	9/30/2009	0.20	0.10
StyleBenchmark		8.36	13.12	13.12	1.73	6.63	5.24	-	-	-	-	-
TIAA-CREF Lifecycle Index 2025 Instl	TLQIX	8.67	14.19	14.19	2.24	7.82	6.25	7.71	9/30/2009	9/30/2009	0.18	0.10
StyleBenchmark		9.15	15.36	15.36	2.78	8.08	6.18	-	-	-	-	-
TIAA-CREF Lifecycle Index 2035 Instl	TLYIX	9.79	17.25	17.25	3.58	9.57	7.37	8.97	9/30/2009	9/30/2009	0.17	0.10
StyleBenchmark		10.11	18.11	18.11	4.02	9.82	7.31	-	-	-	-	-
TIAA-CREF Lifecycle Index 2045 Instl	TLXIX	10.66	20.07	20.07	5.05	11.29	8.36	9.79	9/30/2009	9/30/2009	0.17	0.10
StyleBenchmark		10.82	20.57	20.57	5.27	11.36	8.28	-	-	-	-	-
TIAA-CREF Lifecycle Index 2055 Instl	TTIIX	10.88	20.76	20.76	5.33	11.60	8.58	9.01	4/29/2011	4/29/2011	0.17	0.10
StyleBenchmark		10.93	21.04	21.04	5.53	11.65	8.47	-	-	-	-	-
TIAA-CREF Lifecycle Index 2065 Instl	TFITX	10.95	21.16	21.16	5.64	-	-	9.66	9/30/2020	9/30/2020	0.38	0.10
Aggressive Benchmark		10.92	20.93	20.93	5.25	11.01	7.67	-	-	-	-	-

Core Lineup

Active	Ticker/ I D	QTR	YTD	Annualized Returns				Since Incept.	Share Class Inception	Strategy Inception	Expense Ratio	
				1 Year	3 Year	5 Year	10 Year				Gross	Net
U.S. Equity												
Large Cap Value												
Large Cap Value I1 (Putnam LCV)	97183K381	9.55	15.95	15.95	12.78	14.83	-	12.30	12/3/2018	12/3/2018	0.29	0.29
Russell 1000 Value Index		9.50	11.46	11.46	8.86	10.91	8.40	-	-	-	-	-
Large Cap Blend												
Vanguard Dividend Growth Inv	VDIGX	10.38	8.10	8.10	8.68	13.50	10.76	9.04	5/15/1992	5/15/1992	0.30	0.30
Russell 1000 Index		11.96	26.53	26.53	8.97	15.52	11.80	-	-	-	-	-
Large Cap Growth												
Large Cap Growth IV I1 (American Century Ultra)	97184E426	14.11	42.88	-	-	-	-	44.13	1/3/2023	11/4/2022	0.34	0.34
SE: American Century Ultra R6	AULDX	14.24	43.82	43.82	6.42	19.60	14.94	15.93	7/26/2013	11/2/1981	0.60	0.56
Russell 1000 Growth Index		14.16	42.68	42.68	8.86	19.50	14.86	-	-	-	-	-
Small Cap Value												
Small Cap Value I1 (Columbia SCV)	97181N296	13.67	15.33	15.33	11.26	-	-	10.40	8/9/2019	8/9/2019	0.40	0.40
SE: Columbia Integrated US Small Cap Value Composite	03078M235.comp	13.58	14.99	14.99	10.81	10.54	7.70	12.82	-	6/30/2010	-	0.65
Russell 2000 Value Index		15.26	14.65	14.65	7.94	10.00	6.76	-	-	-	-	-

Returns Analysis

Core Lineup

Active	Ticker/ I D	QTR	YTD	Annualized Returns				Since Incept.	Share Class Inception	Strategy Inception	Expense Ratio	
				1 Year	3 Year	5 Year	10 Year				Gross	Net
Small Cap Blend												
JPMorgan Small Cap Equity R5	JSERX	12.46	12.10	12.10	3.08	10.84	8.66	9.84	5/15/2006	12/20/1994	0.84	0.80
Russell 2000 Index		14.03	16.93	16.93	2.22	9.97	7.16	-	-	-	-	-
Small Cap Growth												
Small Cap Growth I1 (Neuberger Berman SCG) +	97181N361	10.05	13.77	13.77	-13.38	-	-	-2.31	7/22/2019	7/22/2019	0.53	0.53
SE: Neuberger Berman Small Cap Growth R6	NSRSX	10.25	10.22	10.22	-4.40	11.08	9.07	6.62	9/7/2018	10/20/1998	1.04	0.81
Russell 2000 Growth Index		12.75	18.66	18.66	-3.50	9.22	7.16	-	-	-	-	-
Fixed Income												
Core Fixed Income												
Core Bond I1 (Lord Abbett Total Return)	97183J566	6.92	6.77	6.77	-2.67	1.57	-	1.23	1/2/2018	1/2/2018	0.21	0.21
BB Aggregate Bond		6.82	5.53	5.53	-3.31	1.10	1.81	-	-	-	-	-
U.S. Government TIPS												
PIMCO Real Return Instl	PRRIX	4.56	3.74	3.74	-1.14	3.28	2.38	5.11	1/29/1997	1/29/1997	0.67	0.67
BB TIPS		4.71	3.90	3.90	-0.99	3.15	2.42	-	-	-	-	-
Cash Alternatives												
Stable Value												
MissionSquare PLUS Fund Class R10	92208J709	0.73	2.78	2.78	2.22	2.26	2.18	2.18	10/11/2013	1/2/1991	0.52	0.52
No Benchmark Data		-	-	-	-	-	-	-	-	-	-	-
Money Market												
Fidelity Government MMkt	SPAXX	1.28	4.79	4.79	2.02	1.63	1.02	2.61	2/5/1990	2/5/1990	0.42	0.42
No Benchmark Data		-	-	-	-	-	-	-	-	-	-	-
Specialty												
Specialty												
MissionSquare Brokerage		-	-	-	-	-	-	-	-	-	-	-
MissionSquare Roth Brokerage		-	-	-	-	-	-	-	-	-	-	-
No Benchmark Data		-	-	-	-	-	-	-	-	-	-	-
Passive	Ticker/ I D	QTR	YTD	Annualized Returns				Since Incept.	Share Class Inception	Strategy Inception	Expense Ratio	
				1 Year	3 Year	5 Year	10 Year				Gross	Net
U.S. Equity												
Large Cap Blend												
Vanguard Institutional Index I	VINIX	11.68	26.24	26.24	9.96	15.66	12.00	10.31	7/31/1990	7/31/1990	0.04	0.04
Vanguard Total Stock Mkt Idx Adm	VTSAX	12.16	26.01	26.01	8.43	15.07	11.43	7.90	11/13/2000	4/27/1992	0.04	0.04
Russell 1000 Index		11.96	26.53	26.53	8.97	15.52	11.80	-	-	-	-	-

Returns Analysis

Passive	Ticker/ I D	QTR	YTD	Annualized Returns				Since Incept.	Share Class Inception	Strategy Inception	Expense Ratio	
				1 Year	3 Year	5 Year	10 Year				Gross	Net
Mid Cap Blend												
Vanguard Mid Cap Index Admiral	VIMAX	12.27	15.98	15.98	5.49	12.71	9.41	9.83	11/12/2001	5/21/1998	0.05	0.05
Russell Mid-Cap Index		12.82	17.23	17.23	5.92	12.68	9.42	-	-	-	-	-
Small Cap Blend												
Vanguard Small Cap Index Adm	VSMAX	13.41	18.20	18.20	4.66	11.70	8.43	9.02	11/13/2000	10/3/1960	0.05	0.05
Russell 2000 Index		14.03	16.93	16.93	2.22	9.97	7.16	-	-	-	-	-
International/Global Equity												
International Large Cap Blend												
Vanguard Developed Markets Index Admiral	VTMGX	11.12	17.67	17.67	3.55	8.36	4.54	4.47	8/17/1999	8/17/1999	0.07	0.07
MSCI EAFE ND USD		10.42	18.24	18.24	4.02	8.16	4.28	-	-	-	-	-
Fixed Income												
Core Fixed Income												
Vanguard Total Bond Market Index Adm	VBTLX	6.69	5.70	5.70	-3.36	1.11	1.79	3.30	11/12/2001	12/11/1986	0.05	0.05
BB Aggregate Bond		6.82	5.53	5.53	-3.31	1.10	1.81	-	-	-	-	-

Disclosure

* Strategy Equivalent Score

SE = Strategy Equivalent

For use by Plan Sponsors or Institutional Investors Only- not intended for distribution to Retail Investors

Performance data quoted represents past performance and does not guarantee future results. The investment return and principal value of an investment will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. Current performance may be lower or higher than the performance data quoted.

The performance data quoted may not reflect the deduction of additional fees, if applicable. Additional fees would reduce the performance quoted.

Performance data is subject to change without prior notice. Expenses shown reflect the fund's prospectus Net and Gross expense ratios.

Some funds, accounts, or share classes may not be available for investment. Performance history prior to inception (if applicable) reflects another share class or account reflecting the manager's historical performance record. Expenses for mutual funds reflect the fund's prospectus Net and Gross expense ratios. In the case of Collective Investment Trust Funds, expenses generally reflect the CIT fund fact sheet and/ or Trust agreement Fund Inception Date - the date on which a fund commenced operations.

Share Class Inception Date - the date on which a fund's share class was introduced.

The CIT exclusively available to NFP utilizes the same manager and strategy as the Scored fund equivalent, which is highlighted and shown below the CIT option. The Scored fund equivalent generally has a higher fee and is shown for CIT investment due diligence purposes only. The average score includes Strategy Equivalent scores where utilized. For Group Series funds, if Strategy Equivalents are included, the specific Strategy Equivalent(s) within each given series will be indicated in the Allocation (Series Funds) and/or Selection (Underlying Funds) section(s) within the detailed report. ACR#5821538 07/23

Contact NFP with any questions about this report or for the most current month-end performance at (800) 959-0071.

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