SOUTH CENTRAL CONNECTICUT REGIONAL WATER AUTHORITY

PENSION & BENEFIT COMMITTEE

JULY 23, 2026

MEETING TRANSCRIPTON

[PENSION & BENEFIT COMMITTEE MEETING BEGINS AT 1:45 P.M.]

Catherine:

Okay. The first item on the agenda is the approval of the minutes from the April 23rd meeting of the Pension and Benefits Committee.

David:

So moved.

Mario:

Second.

Catherine:

Are there any edits, changes? Okay. Looks like they're ready to vote. So all in favor say aye.

Committee members:

Aye.

Catherine:

Any opposed? Any abstentions? All right. We're going to move then to our quarterly investment performance review. I believe Steve, you are online.

Steve:

We are. Can you hear okay?

Catherine:

Absolutely. I will turn it over to you.

Steve:

Sounds good. And I am here with Joseph McLaughlin and Nick Pulli.

Catherine:

Oh, that's great. Thanks. Hi.

Steve:

They should be able to be seen and heard too, I believe. So let's take a look at what's happened since we last met. We'll talk about the markets a little bit. We'll talk about your investment policy a little bit, and if you have the appetite for it, we ran a little risk metrics, not anything urgent, but I think it falls in line with when we start looking at the asset-liability mix where we don't have today that again should be the next meeting. Angel's preparing those figures that we work off of still. So that is, I would say, absolutely the next meeting at this point. I think we said that at the last meeting, but it's not ready yet. And that will help drive that conversation. So I think today we'll probably do an investment review, and then Joe is here also and prepared to discuss what we do annually, talking about the 401K side, and that will be led by Joe McLaughlin. Does that sound good?

Catherine:

Perfect.

Steve:

Okay. Can we jump ahead on the slide? Let's look at very typical, other than the few things I mentioned. Market commentary. There's an enormous amount going on in the market. Don't worry, we won't overly use the time allotment for that, but I think it's interesting. Investment policy statement, just the executive summary. Last time we met, we asked you to, and I'm going to ask you the same thing again because I don't think it's a subject for today. It's a subject more once we do the current asset-liability matching, but it's still important to review that policy so that you can all have feedback on it. And I think that will make more sense once we look at the asset-liability matching. So not shelfing that for today, but we're not quite ready to go into detail on that today and make suggestions today.

Catherine:

And Steve, we're also going to look at it at a later date because there may be some synergies between the two companies that we can gain with respect to the pension and benefit obligations.

Steve:

Right. Okay, sounds good. So let us know, and maybe you do it twice because obviously the plans have different liability streams, different assets, but different liability streams too. And then you could see how they meld together or not. We'll look at the asset allocation, the investment results. And again, the risk analysis, I'll give you a real quick summary of it, or Nick can, but it really is meant to tie in with that investment policy discussion. So why don't we jump ahead? What's gone on? It has not been boring to say the least, although it seldom is, right? Little summer boredom wouldn't be the worst thing. Market commentary. So what has gone on?

And pretty straightforward here, could you slide down just a little bit more so we can see the bottom? Okay, perfect. So you look at what's happened so far this year, and it's been a neck-breaking recovery during the second quarter. From the first quarter where the Iran War, I don't know what to call it. I don't mean to keep saying that every time we speak, but the conflict, the war situation really brought the markets down, the oil prices up, interest rates up, dollar movements, a lot happened during that first quarter.

And it's changing again as we speak, as we all know, although I haven't checked the news in the last two hours, probably on that front, so not sure if anything's happened in the last two hours, but it recovered radically, right? S&P was down 433 in the first part of the year. Russell was down four. Average stock was up slightly. So there was a nice delta there at that point, and that helped. Now we've had a neck-breaking recovery in the second quarter. If you look at that together, the S&P went up about 14%. It was down for end of the quarter, up 10 at mid-year. Russell was very similar, and the average stock climbed about 11.5 plus percent during the quarter. So it was a strong quarter. Growth stocks have been the interesting part of the market. So second category down. It wasn't long ago that we'd constantly talk about the Mag-7.

And I don't know about you, but I'm not reading about the Mag-7 as much lately. And it's interesting to note, I just wrote this down before the call. Mag-7's down basically 4% calendar year to date right now. The world is moving a little bit in the AI space, and it's moving to other names. It's kind of interesting. So you saw the growth stocks, which include that Mag-7, down almost 10% in the first quarter, with value stocks up, as you may recall from our last meeting. You had a wild recovery in this space too. The growth stocks ended up mid-year up just over 5%, which, think about it, is about a 15% turnaround, and value stocks also are up not to the same degree. And the more dividend-oriented you were, and we do have some focus there to keep the volatility down, you're up 14%, but only two points really higher than it was at the end of the first quarter because they held up so well.

Non-US also turned with breadth neck-breaking speed. The broad world, which is the index we use, the ACWI ex US. So basically the whole world outside the US went from down a little less than a percent to up 13.70 roughly. Developed markets from down one and a quarter to up nine and a half. And emerging markets, wow. Yeah, flat to 24%. Bond market turned positive, albeit slightly; it's actually turned slightly negative now. Rates are climbing. The war situation, interplayed with the dollar and with the debt situation, is causing rates to climb up. But last I looked today that the 10-year Treasury is actually yielding 470. So that can help from a liability stream perspective. It absolutely helps from a forward-looking perspective because we can earn more on the fixed income side of the portfolio. As a matter of fact, it becomes easy to make 5% plus.

It may become easy to make 6% the way it's climbing in a relatively safe or stable investment. So it's very interesting. It hurts in the short run because it's a drag on current performance. But from a pension perspective looking forward, it actually really helps both by devaluing a liability stream and increasing the cash flow of the existing assets. So don't look at that as a negative even if it's at zero because it means rates are climbing on what you hold. So kind of interesting, or I would suggest you don't... I shouldn't say don't, right?

If you jump to the next page, so I hope that's interesting. A lot going on. Main thing under the surface is that the hyperscalers, the Amazons and Microsofts and Metas of the world, where the heavy market action had been they're spending, and you see it with Google today, actually. Google stocks was down quite a bit last I looked. The spend to build out these data centers has become enormous, and the benefactors are... So these companies are now huge cash flow companies, are now taking that cash flow and actually borrowing money on top of it even, but that cashflow is almost entirely now, as an industry, going into the build out. It's going to NVIDIA and Broadcom and Taiwan Semiconductor and Micron and AMD and Vertiv and the actual data center cooling space, et cetera. So there's been a pretty universal switch since we last spoke on market performance and where it's happening.

It's been happening this whole year, but not surprising, it's moved on from the Mag-7 at the moment, which again, I'll state it. The Mag-7 are basically down 4% year-to-date. You just saw the other numbers. So it's pretty interesting. What's been driving this market? And it's the number one thing. It's why the market's super sensitive. It's why those hyperscalers, like the Amazons and Microsofts... Microsoft, last I looked, was down about 20% year-to-date. So it's a very uniquely different market than we've been in for the last several years. But regardless, it's been an earnings-driven market. You can see what the S&P has done over time. You can look in the upper right; you can see what earnings have done. This market follows earnings over time, and we haven't had a hiccup in earnings in some time.

I think that's why you're seeing these biggest names, like the top 10 names, the Mag-7 names, the hyperscaler names. Why you're seeing them roll over a little bit is because their earnings are potentially going to be a little lower going forward or flat, less growth in those earnings because of this. It's an arms race to build out these AI capabilities right now. And that's where the money's being spent. Hopefully that makes sense. So it's very dynamic, but logical that your Google building out your data centers; you've got to spending a fortune, and who's getting that spend?

Speaker 18:

Arms race is a very interesting term [inaudible 00:16:03] when we're talking about investments.

Steve:

Yeah, we're not getting, right? Because Raytheon stocks looking a little strong today too, but I haven't digested that yet. Speaking of the other arms race, right? So yeah, let's jump ahead. So earnings-driven, we remember that always because it's a good reminder because if earnings roll, markets roll, especially markets... The market valuation has come down. For years you've heard me say we're 21, 22 times earnings. We're closer to 20, and that's healthy. And the other thing that's healthy is that the top 10 names that were over 40% of the S&P, if you recall, so you got 500 companies, the top 10 have been 40-plus percent for a while now. They're closer to 37, and I'm going to guess that after today they might be

36. So that looks like it's peaked for the moment, which is super healthy. As you know, we were getting a little uncomfortable with so many dollars and so few names as a percentage of a hundred. So we like seeing that, frankly, and we like this churn under the surface in the market.

We think it's healthy because it's broadening in a way. Rates are climbing, and we have a new Fed governor, Warsh, right? So it's interesting, and he's more or less saying this. You got to watch what the Fed governor says versus what is actually happening. You go back to '21 when rates were zero; we're deep in COVID. I think we all remember well the 10-year Treasury is at 145. And Powell said he thinks inflation is transitory. That became a famous, and I guess infamous line. Then rates go high. Look at you go out to three years ago, and you've got the three-month Treasury at 543. You've got the 10-year all the way from 145 to 381. And Powell, again, not picking on Powell at all, but it's just Fed governors tend to have this habit. We can remember a rational exuberance way back in the day from Greenspan, but interest rates are likely to be higher than previously anticipated.

Well, on the short end, that was the peak, right? It jumped three years forward, six months at 401, down from 547, big delta. 10-year did climb further, 444, and now, well, this was Waller because this quote is recent, but now you've got Warsh. Warsh is now telling us we're going to be data dependent, we're going to be less communicative, and we're going to look at the data. And Powell always said that, but Powell gave more subjective comments. So it looks like we're going to have a quieter Fed from a noise in the marketplace, if you will. But rates are climbing. That 10-year today that was at 444, or last I looked was 470.

Hopefully that makes sense, and inflation's still running a little hot. We're running at three and a half, even 4%, and Warsh says inflation is behind us and it's over. I'm a little scared that he said that based on those prior quotes and commentary, but we're running harder than we want to be. It came down a little bit last month because oil prices came down. As we know, they're going back up as we speak. So we'll see what happens, but it's very volatile. This is Core, so energy's removed from it, but the headline rate is very volatile. But notice that it's running closer to three, 3.5%.

And thus the increase in bond yields. This is so dated now, even though it's June 30th. Maybe Nick could help me, but as of yesterday, at least, I had it in my notes from yesterday: West Texas Crude's 86, and Brent North Sea is $94 a barrel. It was $69 on June 30th. Think about it: June 30th, we basically were back on energy prices to where we were before the first bombs dropped in Iran. If you go back to February 28th, that was the first day. We're at 67, we're at 69, basically flat, but we're climbing again as we speak.

It is interesting that when you look at CPI and inflation metrics or even PCE, energy is only 4% of the component right now, but it's currently the number one pull on the rate of inflation. So it's a small percentage, much smaller than it was back in the '70s. Think about it makes 4% of the entire index, just over four. But services and goods are a much higher percentage today. So it's not moving the numbers. We feel it, we all feel it, but it's not moving the numbers. Certainly your fleet feels it, but it's not moving the numbers on CPI as much as might be happening depending on who you are or what type of entity you are.

Nick:

And it's trading today, Steve, at $93 a barrel. So it's jumped another $6 just from the reading yesterday. So it's moving. Yeah.

Steve:

That tells us almost everything we need to know on how things are going in the Middle East today. If you don't want to read the news and you want to know how it's going, check the price of oil once a day. And we know this, right? We're in an election year. You've seen these slides like this before. I don't know if we use this exact slide. We switch it up a little bit. But this goes back to what year is this? 1950? Once the election happens, from now till election, and we only bring it up a few times because it's been a strong indicator whether it will remain that way because we're in a unique... These are lots of unique things over the decades, but we're in this unique situation obviously around the globe right now. It's not just Iran. You got a lot going on in Ukraine and Russia.

Simultaneously, you might have a little bit going on in Saudi and that strait now too. But there's never been a year since before 1950, at least, in a midterm year where the markets were down 12 months after election day. Likewise, from now until election day it tends to be very volatile till slightly down. We'll see what happens. That trend seems to be holding as we speak. Does that make sense? Little refresher. So it's as dynamic as it gets, I would say. Remind you on the investment policy statement, if you could just scroll down a little bit. This is just the executive summary.

Let's scroll down a little bit right there. So the preferred weighting is right there. 55% equity, 30% fixed income, and 15% alternative hedged or balanced. And we put real estates in there too, and you've got some liquid real estate, both domestic and globally and we have mins and maxims. We're basically right near the preferred with a slightly different under the surface weighting on the bond side, but more or less there and a little bit light in alternative hedged and balanced. That being said, this is the discussion that obviously that I was referring to earlier, that I won't go any deeper today on it.

Basically, on target here is the... Which pool is this one? It says at the top. Oh, this is all of it. This is salary and union plans, non-VIBO. 57% equity, the upper right, the green. You can see about 5% in alternatives. Some of that is more like equity, and some of it's more like fixed. Some of it's real estate. Your weightings in the right-hand side are as you're used to seeing them. We were pretty strategic on that. It's moved a little bit, but of the equity is 73% domestic. I'm in the green box. 27% call it international. Of the international, it's morphed a bit because the emerging markets have done so well, but we're still within our ranges. We're at 82% developed and 18-plus percent emerging. And if I jump to the bottom of that taller green box, we are definitely more value-oriented to the index.

And you see that when we run the risk analysis. Our risk analysis is less than the benchmark. So the volatility of the portfolio, and we saw that in the month of June. June was a market that was down about, I think it was 95 basis points on the S&P in June, and you were actually up 28 basis points. So you see it in negative markets. Again, because we're making benefit payments, because the workforce in average is aging, and the benefit payments are getting closer, as we know. I mean, we're making some every month obviously, or you're making some every month, but it's nice to see a little stress test just in the month of June, frankly, of that allocation in the undersurface level, not so much at the headline level. We're a little overweight in bonds right now just because we're underweight in cash and global bonds.

So really the biggest move is, and we've said this for a while now, although we're beginning to look at global bonds and considering putting an allocation back there. And actually we have a little, but we've been underweight there for a long time. And again, we're considering going there as rates around the world are changing quite a bit. But on an equity percentage, we're basically smack dab on target. VEBA, very similar allocation. So I won't belabor it unless anyone has questions. Obviously, the funded status, we had Angel was a guest at the last meeting. The funded status of the two pension plans was looking very strong.

VEBA obviously is a different animal, but it's invested in a like manner. And again, the overweights and underweights are like the slight nuances, but they're alike. Here's the quarter. So this is the most recent quarter, second quarter. And if we look at the bottom of the numbers, there's six set of numbers at the top. Three Morgan Stanley accounts, Salaried Union, and VEBA. Three, Matrix Trust, who's the trustee, and they are the paying agent. So when a retiree or anybody is receiving a benefit, the payment is coming through Matrix Trust. They are not only the trustee, but the paying agent. So there was 95,747,432 in the various buckets.

It's six, but it's really three times two. Each plan has a Matrix Trust account. Each plan has an investment account. You have net withdrawals during the quarter. So these are benefit payments of some type, 547,149. And you can see where they come from, which plan they relate to. We have intra-entity transfer, meaning money's moving to or from Matrix Trust and to or from Morgan Stanley. In this case, we're moving money to Matrix from union to union; for example, was the biggest move. So your net invested, you're in the mattress money, as I tend to say lately. There'd be 95,200,000. At the end of the quarter, 90 days later, there's 102,000,177. It was a tremendously strong market quarter, as we know. So the funds as a group made almost $7 million for 90 days, or 7.37%. We know that would make a good year.

Again, it is above what we're trying to make per year on a... I mean, we're trying to make more, obviously, but what the goal is, the actuarial goal. So that 737 compares to the actuaries needing 169 for the quarter. But again, we all know at this point this is not linear. It benchmarks a little on the lower end this quarter. Not surprising. You have a spike, spike up market where the S&P's up 15% in 90 days, or even value stocks are up 13-plus percent in 90 days. Not surprising. Slight lag, not much of a lag, but it's expected the way we've got the volume turned down under the surface a little bit. The exact opposite of what you saw in the month of June alone. We go a little further out.

Fiscal year. So here's a full fiscal year. The same numbers. I'll go through the totals. 89,972,773 last June first, or last, I guess it's May 31st at midnight. During the calendar year, $3 million and $55,000 was paid out of Matrix Trust, and 229 in net transfers. You're in the mattress money, if you will. If it wasn't invested from a year ago, fiscal year ago, that'd be 86.687. The ending value on May 31st was

101,000,810. So it's a $15.1 million gain over the last 12 months. It's been a healthy market. That's 1719. It's actually a couple good years of actuarial needed returns, required returns. The actuaries need the 675. That's the primary benchmark here.

If we're a more market-cap-weight, a little more tech exposure at that time, we'd be up 20%. If we're more equal weight than we are and more value-oriented, we'd be up to 1628, the midpoint. So between them is what I would expect. I'm actually happy to be not at the lower end given that we've got it dialed down just a bit, knowing our equity exposure might be on the high side until we look at those asset liabilities. So strong fiscal year for sure.

Nick:

And one comment too, Steve, on the bottom of the page, you can see it's highlighted, but usually the transfers balance is going to be $0 because it's just moving from Matrix Trust to Morgan Stanley. However, Matrix Trust sent money on May 29th, which was a Friday, and we didn't receive it until that Monday. Slight-

Steve:

Slight accounting. You're looking at that when you can't sleep maybe, and you're looking at the math and say the math doesn't work, refer to the footnote. It evened out the next day. Thank you, Nick. All right. Calendar year to date now, so six months. I start to show a lot of timeframes here. But over the first six months to the year, I'll just jump to the 1,000,194 has been paid out in benefits. You see that in the second numeric column, dollar gains, 6,000,235. This includes the difficult first quarter, 6.5% net. So still very good. The actuary is needing 338. And again, because of that second quarter spike, not quite keeping up with the market benchmarks during that time, almost by design in the spike-up market, just like same in the opposite type of market like we saw in June. We jump out a little further.

The last 12 months, year 3.1 million net has come out of Matrix Trust for benefit payments. 12.7 million is the dollar gain, 14.12% net. Obviously, just over double what the actuaries need when we're starting to get a little further out now and we've moved forward on the calendar. And that is within the bands we would expect it to be lower end, no surprise. It starts to look higher end as we go out further. We look at three years, I think. Last three years has been pretty phenomenal from a market perspective. Something to keep in mind. We're three and a half years into an upwardly sloping market. That's not the longest, but it's a long bull market in equities. It simultaneously has not been a great market in bonds, but been better than it was the prior five years. So if this is worth looking from three years ago, 7,000,336 has gone out net to benefit payments.

30,000,777 is the dollar gain, 1219 is the net return, 1257 is the gross return. And there you're falling nicely closer from a market; you're obviously above the actuary needs, but you're falling nicely closer to the middle, above the midpoint of the two benchmarks, the 11 and the 13 and a half. So good to see. Then we go out to five years, and I say this every time we bring back '22 into the equation, the year of '22. And that's still, it's getting into the distance, but '22, if you recall, the equity market lost 18%, and the bond market lost 13 and that bond market was the unprecedented thing that happened. So you look out five years, and you say, "Well, you've paid out $7.2 million in benefit payments. You earned $28 million." It was actually higher on a three-year basis, right, $28 million in market returns.

That has all of '22 in it now. 639 net, 675 gross. So on a gross basis, it does meet the actuary need. Net basis, it does not. But a market basis, it's at the upper end of that midpoint; 680 is the high end of the market. So in those down markets, you see repeatedly outperforming a bit and bringing it higher. Then we go out further, obviously, which matters the most, right? We go out to since inception. We skip seven years; it starts to look... You probably get enough of me reading numbers, right? But this is interesting because from inception, so this is now 10 and a half years ago, and it's nice to have that long-term horizon now. $41 million beginning value, 1,000,677. This is interesting, and this is flipping almost as we speak, right? Net deposits of 1,000,677. So the authority has put more money into the plan than has come out of it during that timeframe, but we're beginning to see that go the other way, as you know.

So you're in the mattress money is 43,000,439; had it been in a back room safe the whole time. $102 million ending value. So it's a 58, almost $59 million gain over that time period, which is just under 8% net higher than we anticipated and expected. And we will have down markets where that could even back out over time, no doubt. And you're seeing that up near the higher end of the benchmarks too. And obviously outdoing what the actuaries need, 675; they needed seven early on. It switched to 675, but either way, it's currently at 794. So the actuaries, from that perspective, you're out-earning the actuary assumed rate of return for sure. I'll pause there. Does that make sense? Useful? Questions?

Catherine:

Yeah, it's really good. Any questions? Nope. We're good. We're happy. [inaudible 00:34:28]-

Steve:

It's easy when it's easy, right? Although it looks easier than it has been this year. I haven't had a lot of restful sleep this year. I'm hoping this war ends; frankly, you probably are the same. At any rate, so what do we have next, Nick? So quick question would be: Joe is here. I'm thinking maybe we don't need to go further on the pension and VEBA there unless you tell me you want to go deeper. But I think Joe has time today to speak about the 401k plan as well, if that's good with the board. Maybe.

Catherine:

Unless there are questions, I think we can go to the 401k.

Steve:

It's fine.

Catherine:

Okay. All right.

David:

Yeah. That'll take a little bit of time just [inaudible 00:35:12].

Joe:

All right. Excellent. Thank you, Steven, and thank you to the board. Just on a personal note, it was great to see several of you in person at your charity golf tournament last week. What a wonderful day, wonderful weather, beautiful golf course. I think Catherine was the only person there that I didn't have a moment to speak with.

Catherine:

Well, thank you for your support.

Joe:

You were quite busy. Oh, it's a pleasure. Pleasure to do so. Great cause and great to learn all the wonderful things that you've done for those students that are pursuing those degrees in your field. Jennifer, if you would just forward, I think another page or two, please. We'll get to the plan asset breakdown. Very similar layout here. And I won't read all the numbers. At a high level, the plan assets have grown. You're now approaching, if I have my memory correct, I think about 75 million on the next page. Jennifer, a little over 75, so approaching almost $80 million in total assets. I'll just highlight this section by saying no major material changes in the overall allocation of the plan, which is a good thing. Your employees are invested in a manner that's been consistent even in spite of the market volatility that we've seen over the course of the last seven to eight months.

And no changes to the investment lineup since the last time we presented this information to you. So just giving you some updated numbers on these pages. Some of the more, I think, pertinent and probably more important information are on the pages that follow. The next section, Jennifer, just outlines the work that we are doing with your 401k plan committee. The first page is just showing you everything that we do on an ongoing basis. If you go to the next page, we're highlighting the things that we have worked on over the last 12 months. And I don't want to understate the importance of it, but it's been a pretty routine year, right? So we're just making sure that we touch on all the things that we need to from an oversight standpoint. We know you're a non-ERISA 401k plan, but we still apply our ERISA best practices in working with your leadership team at the organization to make sure that the plan is doing everything that you need it to do and it's doing everything that your employees needed to do for them.

And so the next several pages are going to highlight a lot of the work that we've done on the employee engagement. I know that's something that this group has been particularly interested in as we continue to track and measure these numbers for you. So yes, go ahead. Jump ahead, Jennifer, please. I think two pages to get to the numbers. There you go. So whoops, a little bit too fast. Maybe just go back one page, please? Thank you, right there. Yeah, so really no material change in the number of participants that you have in the plan. You can see a slight decrease with the number of participants with a balance in the plan, a number of participants employed, and the terminated participants that maintain a balance, pretty much the same. A little bit of an uptick in the participation rate, or sorry, basically flat on the participation rate, a little over 88%, but a nice healthy uptick in the average contribution rate.

And anything in that neighborhood of eight to 9% is considered very healthy for an employee salary deferral savings rate. So I think good credit to your employees for being prudent and disciplined with their retirement savings. And we do think that the level of engagement that we've had with your employee population is helping to keep that number elevated where we like to see it, and we'll continue to work to drive that number even higher. One more page, Jennifer. If there are no questions there, we'll talk about the direct engagement. We're just comparing the 2025 calendar year to what we've done on a year-to-date basis this year. So we had 45 unique webinar participants. We had 43 total people attend webinars in 2025. So some of them did attend multiple sessions. We did nine different topics across 11 different webinars that we offered. The last three webinars were the same webinar that were offered three consecutive weeks, one after the other.

So that's why a little bit of a mismatch there between the number offered and the topics. On a year-to-date basis, you've had 12. We did do a webinar yesterday. We weren't able to capture those numbers and get them into this reporting, but it's safe to assume that some number of your population attended yesterday's thoughts on the market session that we delivered because it is one of the more popular sessions and you've had good representation each quarter when we deliver those. But the other sessions that we've done, you've had 12, nine attended. So what that effectively means is you had three people sign up that did not attend a session across the four topics and four webinars that we offered. Some very good news yesterday: our colleague Greg Bryant was on site at your home office in New Haven to deliver onsite retirement readiness education. This is a topic that has proven very popular with your workforce.

And I have notes from his session. So he met with 40 people across the different group sessions that were offered yesterday. So 40 of your employees attended the sessions. Greg did 12 onsite one-on-one consultations while he was there yesterday. So that's in addition to the 17 that you see on the page. So that'd be 29 so far this year, and then another 12 individuals scheduled one-on-one consultations virtually while he was there yesterday. So during the course of each of the group meetings, he had a QR code on one of the slides, and folks could just use their smartphone to take a picture of the QR code. And that enabled them to schedule a one-on-one consultation at some point after yesterday with Greg.

So I want to point out that that is the type of engagement that we like to drive, whether it's through webinars. Obviously, it's more effective when we're on site doing them and physically standing in front of your population. So with 40 attendees yesterday, we got 24 one-on-ones, 12 done onsite yesterday, 12 already scheduled. There may be more that come out of that. So that's terrific to have 24 people engage with us directly immediately after one of the sessions that was offered. And again, that's in addition to the engagement numbers that you see on the bottom half of that page. And if you would go forward, Jennifer, I think that is the end of the metrics. Yeah, so we are in the-

Catherine:

We have a question.

Joe:

Please go ahead. Yes.

Catherine:

Yeah.

Mario:

Thank you. Before you leave the topic, is there any thought as to out of the 40 who attended, were they part of the 12% that were not participating? Does anyone know, or are they people who have come to some of the other webinars perhaps and just wanted more information?

Joe:

We don't have a way to cross-reference those numbers, if I heard your question correctly. It's probably safe to assume that most of them are participating in the plan. Generally speaking, for that retirement readiness session, we have more folks who are participating in the plan. The analogy I use is they can see retirement from where they're standing, and that's why they want to come to that session. It's learning about how to transition from being a retirement saver to a retirement income generator. So we cover a lot of those topics. That tends to appeal more to people who are engaged and participating in the plan, and I'm sorry, could you repeat the second part of your question?

Mario:

No, that's fine. And then continuing on that, what, if any, outreach is being done or questions being asked of the 12% that are non-participating? What kind of efforts are we making to try and capture them or at least understanding, "Hey, I've got this trust that makes Google look like chump change."

Joe:

Yeah, I can't say that we've identified anyone in that category you mentioned, although it certainly would be nice. And I would think that they'd take advantage of the tax benefits of the 401k even if they were in that situation. Historically, we've drilled down into these numbers. We meet with your leadership team on a quarterly basis to review the 401k. One of those quarterly meetings is dedicated to drilling down into these numbers and trying to identify are these one-off individuals that just happen to have facts and circumstances that are unique to them. Is there any sort of a trend? Meaning, is it one particular group of employees that makes up the majority of that 12%? There's a little bit of what I just mentioned. So you have some of your employees on the collectively bargain side that have access to pension, and they don't view the need when we've engaged with some of them.

Some of them just don't feel like they need to save in the 401k because they're going to be covered by that. Their spouse may or may have something that's also a big part of their retirement nest egg. Where the newer employees in all of your groups, where you've transitioned more to matching contributions for your newer employees, that's where we're seeing... So if you segment those two populations, we're seeing better participation in terms of people deferring their own money where you have matching contributions. So those groups of employees get it; they're trying to take advantage of the benefit that you offer them. So most of that 12% when we drill down into that number are made up of folks who are, I'll call it pre-matching in your plan design scheme. So they're longer serving employees that are still pension eligible. And I believe, if I'm correct, that some of those employees are receiving a contribution from RWA without needing to contribute in order to get it, or at least they did in the past.

I'm conflating some of your plan design changes over the years in my mind at the moment. But that's the bulk of that number. We've not really run across anyone in your organization in our one-on-one engagements that, simply put, has come to us and said, "I just cannot afford to contribute to the 401k plan. That's why I'm not doing it." And that's really good because most workforces, we do run across a certain percentage of the population that they're in a legitimate financial hardship situation, and that's why they're not saving in the 401k. But it's a great question. And I think I'll make a note for next year's update to maybe do some segmentation there and see if we can separate that number and provide you with some updated metrics that show, of those who are eligible for the match, what's their participation rate? And then those that are not match eligible, what's their participation rate? Because I think that would get closer to answering the question that you asked.

Mario:

And those... Sorry.

Catherine:

Go ahead.

Mario:

Your meeting but... And those individuals, do we offer, this is for the people in the room; if they're offsite, do we offer them the time to go and attend the session that we had yesterday? So if I'm a treatment plan operator and I'm located-

Jim:

[inaudible 00:46:26] for me, it's field personality.

Catherine:

Yeah, we did.

Mario:

Okay, so we did.

Catherine:

[inaudible 00:46:30]-

Mario:

We offer them that you can take the time and do that.

David:

It's open for all, so they can send it.

Mario:

Well, I just want to make sure that you're going to say, "You can sign up, but you can't go."

Catherine:

No. [inaudible 00:46:44]-

Mario:

Flexibility [inaudible 00:46:45], which is good.

Joe:

Yeah. And then if I could add, there are other routine things that we're doing. So for instance, that annual meeting where we invite in your Empower representative and we're drilling down into these metrics, we're obviously identifying that 12% that's not contributing, and we're sending out automated messaging to them. So Empower has postcards. If someone's registered on the Empower 401K app, there'll see a pop-up message. On the website, there are pop-up messages. So we are doing, I'll call it automated things to make sure that if we can get them to be engaged, if they log in to check their balance on the website or via the app, they're going to see a pop-up message, something to the effect of, "Hey, we noticed you're not contributing. Be aware that if you save more for retirement, you'll be better off." And those types of messages and we like to use, even though it's kind of old school these days; we do like to send the postcards to the house.

Anecdotally, we've just learned over the decades of doing that that sometimes the spouse will find the postcard in the mail and they may question why their spouse is not participating in their employer's 401k plan. So we've seen sometimes that just sending something to the home can often prompt, we'll say, a conversation that stimulates some engagement from a partner or a spouse.

Catherine:

Other questions? Good. My turn. So can you remind me, how often do you offer the webinars?

Joe:

Yeah, we offer webinars across our entire client population. It's not every month. I think we do eight or nine, or it's nine; you can see that we did in 2025. So nine webinars a year, I think we skip August and a couple of months in the holiday season just because we don't get the attendance that we otherwise would. So those are offered, and we work with Rochelle and Liz to identify any needs that you may have organizationally. For instance, we just have found how popular doing the onsite retirement readiness is, and that's something that we've been. If we don't do it every year, we're probably doing it every 16 to 18 months or so onsite for you. And that is a session that we also offer as a webinar. So even if someone couldn't, if they were among the 40 that were there yesterday, we will be offering that session globally to all of our clients.

I believe it's in the fall that one gets offered. So your folks would have another opportunity to attend that session as well. And again, that's why I would say when it comes to the 401k, the process that we employ is very routine. We're making sure that we're examining and evaluating the same functions and responsibilities on an annual basis. But each time we go through the process, we're identifying, I'll say, different tactics that we may need to deploy to meet whatever the circumstances are at that particular time, if that makes sense.

Catherine:

Okay. And out of curiosity, this probably would only come up likely in the one-on-ones, but might may be possibly in the group sessions, but are there ever any questions about investment options? Are people generally happy with the investment options? Do they want any kind of expansion?

Joe:

Sure. Yeah, great question. Every once in a while, and we joke about this internally across our team, I'd say 12 months ago we would periodically get asked why there isn't a gold fund offered in the plan. Needless to say, those questions have not been asked lately. So you get the hot-dot type questions. I would say, for probably, gosh, it's been pretty quiet over the last decade or so. We've made a lot of enhancements to your lineup when Empower really opened up their investment architecture.

So the biggest thing that we did at that time was offer a full suite of index funds in your plan. And prior to doing that, and I would say a full suite of very low cost index funds, because we have had index funds in the plan, but they weren't necessarily the Fidelity or Vanguard super inexpensive versions. But since we did that quite some time ago, I would say everyone is very satisfied with what you have. And I will add anecdotally, we've had a couple of people come up and compliment us on the work that we're collectively doing, and they're saying that they're happy with the lineup.

Catherine:

Okay [inaudible 00:51:04]-

Steve:

I'll just throw this in for a little bit of tongue-in-cheek, but we were getting a lot of pull from participants to put crypto funds in 401k plans, which we have not done, but-

Jennifer:

Thank you.

Steve:

That was a very popular request, and it's also gone completely dead quiet. So we were getting that across our business, as you can.

Jennifer:

That's interesting. I was thinking that-

Steve:

Yeah, I'm just going to throw that-

Jennifer:

I was thinking that some of our population might be interested in something that works more environmentally friendly, but crypto? [inaudible 00:51:38].

Steve:

We actually have; I was one with them yesterday. We have a large environmental consulting firm as a client in Maine. And they do have a... It's not water-specific, but it's water-heavy clean water fund in their 401k plan. Yet the problem has been historically it did really well. And then in the markets we've been in the last three years, it really has been lagging and we're in a dilemma. As a fiduciary hat, we need to be very conscious of that. But then from their business perspective, we're also conscious of that certain of their population really wants that. Thankfully, Nick was with me in the meeting yesterday, and it's now performing really well again. So we got to reprieve from that, but there's pros and cons. We do see, to your point, it gets very low usage, though, surprisingly low usage.

Jennifer:

Well, it is sort of a niche. I mean, I get this from my young nieces. Where can I invest my money where I'm not investing in any oil or not giving any money to Jeff Bezos? Or I'm like, "I don't know. Go talk to your investment advisor." I'm serious. [inaudible 00:52:50]-

Steve:

It goes very narrow. You're right. And when you're narrow in a plan, I'm not saying I'm against it; I actually love that they have it. They're great people to work with, like yourselves. And what they do is fabulous, but you get so narrow that we're required to benchmark it as fiduciaries and how is it doing. Well, relative to what? The universe becomes very small and almost of one when we go that net. But it's a great... I love that question. But we're not getting, Joe, correct me, I don't believe we're getting that question at all from Regional Water. No.

Joe:

No, no. Like I said, in fact, I would say over the past five years, again, this is just anecdotal from participating in the meetings and discussing with Greg when he delivers the meetings. We've had far more compliments about your plan: its design, the investment lineup, the fact that we are offering all these engagement opportunities. Literally, it was probably three or four months ago when we did something for you. Somebody came up to us, and specifically, they only came up to us to thank us for being there and offering the one-on-one consultations, and they were absolutely thrilled. And they actually wanted us to pass the compliment back to Liz and her department so that HR knew that she was pleased about what we were doing.

Steve:

I guess, can I ask one question on behalf of the committee of Joe? I'm putting Joe on the spot here, but because it was so well attended yesterday when Greg was there, is there further demand that we should be satisfying? Were we able to satisfy the demand yesterday? Because that sounds like it's been the most successful thing in the last 12 months.

Joe:

It has been the most popular thing that we do; there is the retirement readiness training. And I think it's a function of the demographics at the water authority and the employee population. We know from the pension data that you have that it's a relatively older population, more mature, longer tenured. So there's a big segment of your total employee population that, again, I'll use my phrase that I use all the time: that they can see retirement from where they're standing, and that's why we continue to offer that session. Like I said, if not annually, it's about every 16, 18 months at a minimum.

Prem:

If it makes the board feel more comfortable, I have a couple of employees come by after the session. When they look at Empower, when they go in the portal, when they see a 16% of annualized return, they don't have any questions. I just want to compliment both of you. I think it's a great message to hear from employees, which is good. So [inaudible 00:55:23] to you guys.

Joe:

Appreciate the feedback. Thank you.

Catherine:

That's great for this market. [inaudible 00:55:29]-

Steve:

Yes. Exactly. We cannot take credit for markets. I wish we could.

Catherine:

That would be fantastic if we could do it forever. I don't have any other questions. Do you guys? Anybody?

Joe:

Okay.

Catherine:

Thank you. Thank you.

Joe:

Yeah, my pleasure. Of course. Thank you. And just as an FYI, we've covered everything that we wanted to touch on with you. There's more information in the appendix. It's really just more details about the names and titles and topics of the sessions that we've been offering. So I'd encourage you to browse through that if that's of interest to you.

David:

I apologize. I have just a quick question. The 304 people who are participants, and I know our staff count isn't that high, is that including our subsidiaries?

Joe:

Yes. Rochelle-

David:

[inaudible 00:56:17]-

Joe:

... help me with that.

Steve:

It also include your terminated employees too.

Joe:

No, no, no. He's talking about the active participant?

David:

The active. Roughly there's 72 terminated and 300 so. Okay, because it was more than the number that Sunny tells us is there in that-

Sunny:

Then that either goes in both, which speaks to right now.

David:

Yeah. So perfect. Thank you.

Joe:

You're welcome.

Steve:

It's a privilege to work with you. Have an enjoyable rest of this summer, and let's all pray for peace. Thank you very much.

Catherine:

Thanks for that. Thank you so very much. I really appreciate all the help that you give us.

Joe:

It's our pleasure to do so. Thank you.

Catherine:

All right. Thanks.

Nick:

Be well, everyone.

Catherine:

There's certainly not something in the agenda for this committee, so I'll enter here a motion to adjourn as the Pension and Benefit Committee and reconvene as the Authority.

David:

I'll move.

Mario:

Seconded.

Catherine:

Okay. All in favor?

Committee members:

Aye.

[PENSION AND BENEFIT COMMITTEE MEETING ADJOURNS AT 2:36 P.M.]