

Quarterly Fund Review – Greg Coffey, Russell Investments presented the quarterly update with the following information:

Plan Highlights:

- At quarter end, approximately 60% of Plan assets were in a Tier I fund solution (target retirement date fund).
- 33% of assets were in Tier II (actively managed funds) & Tier III (passive index funds) fund option at quarter end.
- The Tier IV (brokerage window) represented 7% of assets.
- Participant allocation percentages remain stable across the various tiers; there was limited movement between investment fund options.
- All actively managed investment fund options have investment fund expenses that are significantly below a universe of similar style funds.
- With another strong quarter for returns, asset balances continued to increase and have grown considerably since the COVID-19 March 2020 equity market bottom.

Market Summary:

- The 2nd quarter was positive for equities as investor sentiment continued to improve and economic growth around the globe increased as more parts of the global economy reopened.
- U.S. equities experienced gains of 8.2% during the quarter as measured by the Russell 3000 Index. Within equities, performance was bifurcated as value stocks led through May, but growth-oriented stocks rebounded sharply in June which led to growth-oriented stocks outperforming for the quarter.
- Like U.S. markets, international equity markets rose during the quarter by 5.7% (as measured by the MSCI World ex US Index) but returns were more muted than U.S. markets.
- In a reversal from 1Q21, treasury rates fell resulting in positive returns for bond markets; credit spreads continued to tighten. The Bloomberg Barclays Aggregate Bond Index increased by 1.8% during the quarter.

Investment Option Performance Summary:

Tier I Target Date Funds produced positive absolute returns; however, they lagged the benchmark during the quarter as the portfolio's bias towards value stocks was not rewarded. Benchmark relative performance remains positive on a YTD basis. Russell Investments is maintaining a tilt towards value stocks and an overweight to equities as portfolio positioning in these areas of the market are likely to be further rewarded as economic conditions improve following the COVID Delta variant surge.

Tier II active funds' performance was strong across the quarter with five out of six funds outperforming their respective benchmarks.

- The Large Cap U.S. Equity Fund modestly outperformed due to healthcare exposures and overweight to consumer stocks. Underweight to mega-tech companies detracted during the quarter.
- The Small Cap Fund outperformed during the quarter as holdings in the consumer discretionary sector and stock selection in health was additive.
- The All-International Markets Fund was the lone fund to underperform during the quarter as higher exposures to value stocks detracted during the quarter. Emerging market exposure was additive during the period.
- The Multi-Manager Bond Fund outperformed during the quarter as a longer duration position relative to the benchmark was rewarded due to the decline in Treasury rates. Overweight positions to credit were also beneficial.
- The Investment Contract Fund performed well relative to the benchmark given the portfolio's higher yield than short-term U.S. Treasuries.

- The Real Asset Fund outperformed as an overweight position to self-storage companies, electric utilities and exposure to grains and oil was additive.

Tier III passive index funds all performed as expected by tracking their respective benchmarks.

Fund Updates – Greg Coffey, Russell Investments

Small Cap Fund

- Baron Asset Management was hired at a 7% portfolio weight. Baron is a specialist biotech manager that was brought into the fund to fill a structural hole by the other active managers given the sizeable weight that biotech has within the US small cap market.
- DePrince Race & Zollo (DRZ) – an existing manager within the fund, but tweaked their mandate to allow for them to invest in microcap stocks

Multi-Manager Bond Fund

- Blue Bay Asset Management was hired and Colchester Global was terminated. Blue Bay follows a global bond investment strategy and provides additional diversification relative to the other fund managers in the portfolio

Target Date Funds

- Manager changes within the Small Cap and Multi-Manager Bond Funds as mentioned above.
- Within the Fixed II Fund (short duration) Western Asset Management was hired and MetLife Investment Management was terminated. The hiring of Western was viewed as a manager upgrade given Western's deeper credit research team for shorter-duration credit instruments.

ESG Fund Discussion – Greg Coffey, Russell Investments

As a follow up to the ESG investment discussion that occurred during the 4Q20 and 1Q21 committee meetings, there was further discussion around the potential inclusion of an ESG option into the Plans' fund menu offerings. There has been a significant amount of new ESG investment options coming to the market; however, many of these are not appropriate for inclusion as an investment option at this time given fund costs and lack of a performance track record. While there continues to be participant interest in an ESG option, given the lack of acceptable investment options, the conclusion of the Committee was that participants would be best served by implementing via the brokerage window at this time. This is a common trend across the industry as other plan sponsors have followed a similar strategy of not adding an ESG option to their plan's menu but offering choice via the brokerage window. Russell Investments will continue to monitor the ESG offerings in the marketplace and if more appropriate options become available, they will bring those options to the Committee for further review and discussion.

Fee Discussion – Stan Ichiho,

Committee and staff continue to explore ways to reduce participant fees. Staff brought forward additional information regarding options for adjusting the present fee subsidy for low balance participants. As the meeting was running long, a follow-up meeting will be scheduled specific to this topic.

With no further items on the agenda, the meeting was adjourned.

Participants may submit comments or questions for the Deferred Compensation Committee through Stan Ichiho, of Human Resource Services at MS B251. Please include your name and daytime phone number so the Committee may respond to your request.