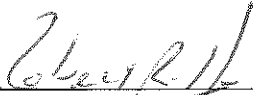


I hereby certify that the following agenda was posted at least 24 hours prior to the time of the meeting so noticed below at 24251 Los Alisos Boulevard, Lake Forest, California.



ROBERT R. HILL, Secretary of the El Toro Water District and the Board of Directors thereof

AGENDA

EL TORO WATER DISTRICT SPECIAL MEETING OF THE BOARD OF DIRECTORS

October 9, 2017
7:30 a.m.

CALL MEETING TO ORDER – President Goldman

PLEDGE OF ALLEGIANCE – President Goldman

ORAL COMMUNICATIONS/PUBLIC COMMENTS

Members of the public may address the Board at this time or they may reserve this opportunity with regard to an item on the agenda, until said item is discussed by the Board. Comments on other items will be heard at the time set aside for "DIRECTORS COMMENTS/NON-AGENDA ITEMS." The public will identify themselves when called on and limit their comments to three minutes.

ITEMS RECEIVED TOO LATE TO BE AGENDIZED

Determine need and take action to agendize items(s) which arose subsequent to the posting of the Agenda. (ROLL CALL VOTE: Adoption of this recommendation requires a two-thirds vote of the Board members present, or, if less than two-thirds of the Board members are present, a unanimous vote of those members present.)

ACTION ITEMS

1. **SageView Summary Report on the District's 401(k) Employee Retirement Savings Plan and 457 Deferred Compensation Plan** (Reference Material Included)

SageView will report on their findings and recommendations based on their analysis of the District's 401(k) Retirement Savings Plan and 457 Deferred Compensation Plan.

Recommended Action: Based upon the SageView Report findings and recommendations, Staff recommends that the Board of Directors consider providing Staff with direction regarding next steps to further the evaluation of both plans and providers for same.

DIRECTOR COMMENTS/NON-AGENDA ITEMS

ATTORNEY REPORT

ADJOURNMENT

The agenda material for this meeting is available to the public at the District's Administrative Office, which is located at 24251 Los Alisos Blvd., Lake Forest, Ca. 92630. If any additional material related to an open session agenda item is distributed to all or a majority of the board of directors after this agenda is posted, such material will be made available for immediate public inspection at the same location.

Request for Disability-Related Modifications or Accommodations

If you require any disability-related accommodation, including auxiliary aids or services, in order to participate in this public meeting, please telephone the District's Recording Secretary, Polly Welsch at (949) 837-7050, extension 225 at least forty-eight (48) hours prior to said meeting. If you prefer, your request may be submitted in writing to El Toro Water District, P.O. Box 4000, Laguna Hills, California 92654, Attention: Polly Welsch.



Retirement Program Analysis

For the period ending: June 30, 2017

Presented by: Jon Upham—Principal
Todd Stewart, CFA – Managing Director

El Toro Water District

SAGE
VIEW

SageView Scope for the:

- 401(k) Program:
 - Review and evaluate Highmark Capital Management
 - Evaluate and compare the current Highmark asset allocation strategy being utilized in the portfolios with other age-based options, including a review of the glide-path, allocation philosophy and risk/return profile.
 - Develop custom benchmarks for each of the current 4 Highmark aged-based portfolios
 - Compare performance of the portfolios to the custom benchmarks as well as Highmark's benchmarks and industry standard benchmarks
 - Summarize and evaluate the cost of the current 4 Highmark aged-based portfolios and the underlying investment options held in the portfolios
 - Conduct an RFI on plan administration fees; intended to assist in negotiating down Prudential's recent fee increase
 - Provide a summary of observations and/or recommendations
- 457 Program:
 - Review current plan investment options and investment costs
 - Conduct an RFI on plan administration fees; intended to assist in negotiating down Prudential's recent fee increase
 - Provide a summary of observations and/or recommendations

HighMark Summary

Firm Summary:

- HighMark is a wholly-owned subsidiary of Union Bank, N.A.
- HighMark exited the mutual fund business in 2012. In 2013, HighMark sold its 5 money market mutual funds to Reich & Tang Asset Management and its 17 equity and fixed income mutual funds to Nationwide Funds. HighMark now serves as a sub-advisor to the Nationwide funds. Meanwhile, the firm's assets under management have declined from a peak of around \$23 billion in 2007 to \$15.6 billion as of June 30, 2017.
- David Wines replaced Dennis Mooradian as President and CEO in 2015. Mr. Mooradian had served in that role for just three years. Mr. Wines is also the firm's Chief Fixed Income Officer (since 2012) and serves in a co-CIO capacity alongside Derek Izuel, the firm's Chief Equity Officer.

Investment Process:

- HighMark seeks to add value by 1) building a robust strategic asset allocation framework that is consistent with client needs and objectives, 2) tactically allocating around the strategic asset allocations, and 3) leveraging a dedicated team of research professionals in selecting best-in-class, open architecture investment solutions to populate their portfolios.
- HighMark's Asset Allocation Committee (AAC) examines and analyzes the broad state of global economies and capital markets. The team combines its qualitative input with a quantitative technique called mean-variance optimization (MVO) to determine the optimal mix of asset classes.
- HighMark makes tactical adjustments to the portfolio allocations in order to take advantage of perceived shorter-term market opportunities, or alternatively, to protect against then-prevailing market risks.
- The manager due diligence process is composed of a quantitative screening process followed by qualitative/fundamental analysis. After the quantitative screens determine a short list of potential managers, an 8-factor qualitative analysis process helps select the managers that make it onto HighMark's Approved List of managers.

SageView Perspective:

- HighMark is appropriately staffed and resourced to serve in its capacity as discretionary manager to the 401(k) portfolios.
- The firm has structured teams that are responsible for discreet parts of the investment process, which itself is thoughtful and well articulated.

401(k) Plan

- » **Total Plan Assets:** \$19,577,499
 - » **Average Account Balance:** \$279,679
 - » **2016 Contributions:** \$1,182,150
-
- » **Total Account Balances:** 70
 - » Active & terminated

457 Plan

- » **Total Plan Assets:** \$4,803,772
 - » **Average Account Balance:** \$64,916
 - » **2016 Contributions:** \$452,773
-
- » **Total Account Balances:** 74
 - » Active & terminated

RFI Summary: 401(k) Plan Fee Proposals

El Toro Water District – 401(k) Plan

Total Plan Assets: \$19,577,499

	Revenue Requirement Assuming no Proprietary Funds in the Lineup	Revenue Requirement Assuming the use of Proprietary Funds		
		Use of Fixed Fund (Spread Product)	Use of Stable Value Fund	Target-Date Re-enrollment
PRUDENTIAL (Current)	0.10% (\$19,577)	-	-	-
PRUDENTIAL (Initial Proposal)	0.71% (\$139,000)	-	-	-
PRUDENTIAL (SageView Negotiation)	0.28% (\$54,817)	-	-	0.14% (\$27,408)
ICMA	0.08% (\$15,662)	-	0.06% (\$11,746)	-
Lincoln	0.18% (\$35,239)	-	0.13% (\$25,450)	-
MassMutual	0.12% (\$23,493)	-	-	-
Nationwide	-	0.12% ^{1,2} (\$23,915)	-	-
Voya	0.12% (\$23,493)	0.10% (\$19,577)	-	-

1. Nationwide's Fixed Fund is required to be used as the capital preservation option in the plan. They will not bid on the opportunity otherwise.
2. Nationwide charges \$20,000 annually (\$5,000 per portfolio) to move participants from one portfolio to the other based on age. This fee is included in the chart above.

RFI Summary: 457 Plan Fee Proposals

El Toro Water District – 457 Plan

Total Plan Assets: \$4,803,772

	Revenue Requirement Assuming no Proprietary Funds in the Lineup	Revenue Requirement Assuming the use of Proprietary Funds		
		Use of Fixed Fund (Spread Product)	Use of Stable Value Fund	Target-Date Re-enrollment
PRUDENTIAL (Current)	0.48% (\$23,058)	0.48% (\$23,058)	-	-
PRUDENTIAL (Initial Proposal)	0.71% (\$34,106)	0.71% (\$34,106)	-	-
PRUDENTIAL (SageView Negotiation)	0.28% (\$13,451)	0.28% (\$13,451)	-	0.14% (\$6,725)
ICMA	0.25% (\$12,009)	-	0.06% (\$2,882)	-
Lincoln	0.18% (\$8,647)	-	0.13% (\$6,245)	-
MassMutual	0.12% (\$5,765)	-	-	-
Nationwide	-	0.02% ¹ (\$961)	-	-
Voya	0.12% (\$5,764)	0.10% (\$4,803)	-	-

1. Nationwide's Fixed Fund is required to be used as the capital preservation option in the plan. They will not bid on the opportunity otherwise.

Important RFI Notes

	ICMA	LINCOLN	MASSMUTUAL	NATIONWIDE	VOYA
Will provider agree to annually moving participants from portfolio to portfolio based on age?	No; However, ICMA does offer a Custom Asset Allocation Service or Target-Date funds as an alternative ²	No; Lincoln offers Target-Date Funds as an alternative solution	No; MassMutual offers Target-Date Funds as an alternative solution	Yes; For \$20,000 annually (\$5,000 per portfolio)	Yes; No additional fee for this service
Does provider require asset allocation models to be unitized in order to move participants from one portfolio to another annually? ¹	No	N/A	N/A	No	No
Will provider bid on the plans without any proprietary funds being included in the fund lineup <i>for both plans</i> ?	Yes	Yes	Yes	No; The Nationwide fixed fund is required to be used as the capital preservation option in the 401(k) (replacing the capital preservation model) and 457 plans	Yes

1. Portfolios are not unitized today, however we wanted to be sure that each bidder did not require them to be, as additional costs would most likely apply.
2. The Custom Asset Allocation Service (non-unitized) does not currently support moving a participant from portfolio to portfolio based on age or glide path, however, ICMA-RC can make changes to the underlying funds and allocations of the portfolios on an annual or as needed basis to align the portfolios with the asset allocations desired by the plan sponsor or their designated investment adviser. Also note that the Custom Asset Allocation is a set of portfolio allocations and not a fund, therefore we cannot set the non-unitized portfolios as the Qualified Default Investment Alternative (QDIA) and enable age-based mapping.

401(k) Portfolio Summary

Portfolio structure – Existing El Toro Water District 401(k) Portfolios:

- Highmark runs four distinct portfolios with varying performance/risk expectations and relatively static long-term asset allocation targets.
- Highmark charges a management fee over and above the underlying fund expenses that is equal to 0.45% on the first \$15 million under management, and 0.40% thereafter. As of June 30, 2017, the assets in the portfolios totaled \$19,252,953, leading to a weighted average HighMark management expense of 0.439%.
- Plan assets migrate from one asset allocation portfolio to another over time as participant age thresholds are crossed. The age thresholds, target allocation ranges, and expense ratios for the four portfolios are as follows:

Portfolio	Capital Preservation	Income & Growth	Balanced	Growth
Age Range	60 years and over	50-59	40-49	Under 40
Equity Range	5%-35%	30%-50%	50%-70%	65%-85%
Expense (Gross of HighMark Fee)	0.61%	0.66%	0.70%	0.73%
Expense (Net of HighMark Fee)	1.05%	1.10%	1.14%	1.17%

El Toro Water District 401(k) Portfolio Glidepath vs. Industry Averages

Glide Path Comparison



Vintage	2060	2055	2050	2045	2040	2035	2030	2025	2020	2015	2010	2005	2000
Years to Retirement	45	40	35	30	25	20	15	10	5	Ret.	-5	-10	-15
HighMark	78%	78%	78%	78%	64%	64%	43%	43%	24%	24%	24%	24%	24%
MAX	100%	100%	99%	98%	95%	93%	90%	83%	75%	68%	60%	60%	60%
AVG	91%	91%	90%	88%	85%	80%	72%	63%	53%	43%	38%	34%	32%
MIN	69%	69%	65%	61%	57%	53%	46%	37%	28%	5%	5%	5%	5%

El Toro Water District 401(k) Portfolio Performance – 6/30/2017

Performance as of June 30, 2017	YTD	1-yr.	3-yr.	5-yr
Capital Preservation Portfolio	3.88%	4.08%	2.76%	4.20%
HM Capital Preservation Benchmark	3.07%	3.34%	2.41%	3.97%
Variance	+0.81%	+0.74%	+0.35%	+0.23%
SageView Benchmark	4.21%	4.26%	3.47%	4.66%
Variance	-0.33%	-0.18%	-0.71%	-0.46%
M* Target Date Retirement	4.44%	5.70%	2.56%	4.71%

Performance as of June 30, 2017	YTD	1-yr.	3-yr.	5-yr
Income & Growth Portfolio	5.60%	7.57%	3.65%	6.28%
HM Income & Growth Benchmark	4.81%	7.11%	3.68%	6.43%
Variance	+0.79%	+0.46%	-0.03%	-0.15%
SageView Benchmark	5.88%	7.86%	4.35%	6.74%
Variance	-0.28%	-0.29%	-0.70%	-0.46%
M* Target Date 2025	7.21%	10.90%	3.97%	7.82%

El Toro Water District 401(k) Portfolio Performance cont... – 6/30/2017

Performance as of June 30, 2017	YTD	1-yr.	3-yr.	5-yr
Balanced Portfolio	7.21%	11.53%	4.82%	8.34%
HM Balanced Benchmark	6.46%	10.74%	4.68%	8.70%
Variance	+0.75%	+0.79%	+0.14%	-0.36%
SageView Benchmark	7.52%	11.59%	5.15%	8.78%
Variance	-0.31%	-0.06%	-0.33%	-0.44%
M* Target Date 2035	9.00%	14.48%	4.74%	9.40%

Performance as of June 30, 2017	YTD	1-yr.	3-yr.	5-yr
Growth Portfolio	8.27%	14.11%	5.36%	9.20%
HM Growth Benchmark	7.74%	13.59%	5.48%	10.05%
Variance	+0.53%	+0.52%	-0.12%	-0.85%
SageView Benchmark	8.69%	14.31%	5.68%	9.89%
Variance	-0.42%	-0.20%	-0.32%	-0.69%
M* Target Date 2055	10.09%	16.62%	5.31%	10.53%

401(k) Plan Underlying Investment Performance – 6/30/2017

Fund Performance Summary

As of 06/30/2017

Fund Benchmark Category	Asset Class	(%) of Plan	3 Month	YTD	1 Year	3 Years Annualized	5 Years Annualized	10 Years Annualized	Expense Ratio	SageView Ranking
AQR Managed Futures Strategy I	Managed Futures	1.54%	-4.66	-5.58	-15.37	0.67	1.76	NA	1.22	TOP QUAR
S&P 500 TR USD*			3.09	9.34	17.90	9.61	14.63	7.18		
Cat: Morningstar Managed Futures			-2.79	-2.69	-7.35	1.66	1.10	-0.93	1.92	
Natixis ASG Managed Futures Strategy Y	Managed Futures	1.55%	-3.04	-2.54	-12.66	1.97	4.32	NA	1.49	2 ND QUAR
S&P 500 TR USD*			3.09	9.34	17.90	9.61	14.63	7.18		
Cat: Morningstar Managed Futures			-2.79	-2.69	-7.35	1.66	1.10	-0.93	1.92	
First American Instl Prime Obligs Z	Prime Money Market	3.14%	0.23	0.39	0.55	0.25	0.16	0.67	0.20	NA
BofAML US Treasury Bill 3 Mon TR USD*			0.20	0.31	0.49	0.23	0.17	0.58		
Cat: Morningstar Prime Money Market			0.14	0.25	0.36	0.16	0.11	0.58	0.50	
Eaton Vance Floating-Rate & Hi Inc Inst	Bank Loan	4.63%	1.14	2.71	8.69	3.77	4.66	4.19	0.82	2 ND QUAR
Credit Suisse Leveraged Loan USD*			0.75	1.96	7.49	3.49	4.83	4.16		
Cat: Morningstar Bank Loan			0.60	1.61	6.65	2.62	3.85	3.26	1.09	
Payden Low Duration Fund	Short-Term Bond	1.81%	0.47	1.00	1.32	1.07	1.35	2.49	0.43	2 ND QUAR
BBgBarc US Govt/Credit 1-3 Yr TR USD*			0.31	0.72	0.35	0.95	0.95	2.30		
Cat: Morningstar Short-Term Bond			0.56	1.20	1.24	1.08	1.34	2.40	0.75	
Vanguard Short-Term Investment-Grade Adm	Short-Term Bond	1.82%	0.74	1.57	1.31	1.89	2.15	3.29	0.10	TOP DEC
BBgBarc US Govt/Credit 1-3 Yr TR USD*			0.31	0.72	0.35	0.95	0.95	2.30		
Cat: Morningstar Short-Term Bond			0.56	1.20	1.24	1.08	1.34	2.40	0.75	
iShares TIPS Bond ETF	Inflation-Protected Bond	1.15%	-0.41	0.81	-0.71	0.50	0.15	4.15	0.20	Pass
BBgBarc US Treasury US TIPS TR USD*			-0.40	0.85	-0.63	0.63	0.27	4.27		
Cat: Morningstar Inflation-Protected Bond			-0.49	0.68	0.09	-0.01	-0.17	3.33	0.69	
Dodge & Cox Income	Intermediate-Term Bond	12.95%	1.50	2.71	3.24	2.85	3.45	5.20	0.43	TOP DEC
BBgBarc US Agg Bond TR USD*			1.45	2.27	-0.31	2.48	2.21	4.48		
Cat: Morningstar Intermediate-Term Bond			1.49	2.57	0.94	2.22	2.45	4.30	0.77	

*Investment Policy Benchmark

401(k) Plan Underlying Investment Performance cont... – 6/30/2017

Fund Performance Summary

As of 06/30/2017

Fund Benchmark Category	Asset Class	(%) of Plan	3 Month	YTD	1 Year	3 Years Annualized	5 Years Annualized	10 Years Annualized	Expense Ratio	SageView Ranking
PIMCO Total Return Instl	Intermediate-Term Bond	12.43%	1.80	3.46	2.17	2.58	2.76	5.94	0.46	2 ND QUAR
BBGBarc US Agg Bond TR USD*			1.45	2.27	-0.31	2.48	2.21	4.48		
Cat: Morningstar Intermediate-Term Bond			1.49	2.57	0.94	2.22	2.45	4.30	0.77	
Prudential Total Return Bond Q	Intermediate-Term Bond	12.46%	2.21	4.09	2.39	3.65	4.07	6.17	0.43	TOP DEC
BBGBarc US Agg Bond TR USD*			1.45	2.27	-0.31	2.48	2.21	4.48		
Cat: Morningstar Intermediate-Term Bond			1.49	2.57	0.94	2.22	2.45	4.30	0.77	
BlackRock Strategic Income Opps K	Nontraditional Bond	0.76%	1.02	2.50	5.50	2.12	3.67	NA	0.57	TOP DEC
Wilshire Liquid Alternative TR USD*			0.66	2.08	3.55	0.12	1.88	1.06		
Cat: Morningstar Nontraditional Bond			1.27	2.85	5.91	1.96	2.70	3.58	1.23	
Eaton Vance Glbl Macro Abs Ret Advtg I	Nontraditional Bond	2.05%	1.73	4.55	8.23	6.30	4.80	NA	1.23	TOP QUAR
Wilshire Liquid Alternative TR USD*			0.66	2.08	3.55	0.12	1.88	1.06		
Cat: Morningstar Nontraditional Bond			1.27	2.85	5.91	1.96	2.70	3.58	1.23	
Western Asset Macro Opportunities IS	Nontraditional Bond	2.14%	6.38	11.24	12.51	6.39	NA	NA	1.23	TOP DEC
Wilshire Liquid Alternative TR USD*			0.66	2.08	3.55	0.12	1.88	1.06		
Cat: Morningstar Nontraditional Bond			1.27	2.85	5.91	1.96	2.70	3.58	1.23	
Dodge & Cox Stock	Large Value	1.81%	1.76	6.81	28.65	8.48	16.36	5.89	0.52	TOP DEC
Russell 1000 Value TR USD*			1.34	4.66	15.53	7.36	13.94	5.57		
Cat: Morningstar Large Value			1.78	5.55	16.49	6.40	12.64	5.20	1.02	
PIMCO RAE Fundamental US Institutional	Large Value	1.80%	0.57	4.14	13.33	6.49	13.89	6.76	0.40	TOP DEC
Russell 1000 Value TR USD*			1.34	4.66	15.53	7.36	13.94	5.57		
Cat: Morningstar Large Value			1.78	5.55	16.49	6.40	12.64	5.20	1.02	
Columbia Contrarian Core Z	Large Blend	5.13%	3.83	10.89	17.79	9.68	15.57	9.22	0.81	TOP DEC
S&P 500 TR USD*			3.09	9.34	17.90	9.61	14.63	7.18		
Cat: Morningstar Large Blend			2.92	8.65	17.17	7.60	13.35	6.20	0.95	

*Investment Policy Benchmark

401(k) Plan Underlying Investment Performance cont... – 6/30/2017

Fund Performance Summary

As of 06/30/2017

Fund Benchmark Category	Asset Class	(%) of Plan	3 Month	YTD	1 Year	3 Years Annualized	5 Years Annualized	10 Years Annualized	Expense Ratio	SageView Ranking
Vanguard Growth & Income Adm	Large Blend	5.08%	2.52	7.94	16.53	9.57	14.71	6.69	0.23	TOP DEC
S&P 500 TR USD*			3.09	9.34	17.90	9.61	14.63	7.18		
Cat: Morningstar Large Blend			2.92	8.65	17.17	7.60	13.35	6.20	0.95	
Harbor Capital Appreciation Retirement	Large Growth	1.87%	6.02	17.32	24.46	10.69	15.26	9.24	0.57	2 ND QUAR
Russell 1000 Growth TR USD*			4.67	13.99	20.42	11.11	15.30	8.91		
Cat: Morningstar Large Growth			5.01	14.14	20.02	8.80	13.87	7.51	1.12	
T. Rowe Price Growth Stock I	Large Growth	1.89%	7.58	19.59	29.15	12.60	16.47	8.98	0.52	TOP DEC
Russell 1000 Growth TR USD*			4.67	13.99	20.42	11.11	15.30	8.91		
Cat: Morningstar Large Growth			5.01	14.14	20.02	8.80	13.87	7.51	1.12	
Victory Sycamore Established Value I	Mid-Cap Value	1.41%	0.32	5.48	16.22	10.24	15.82	9.45	0.69	TOP DEC
Russell Mid Cap Value TR USD*			1.37	5.18	15.93	7.46	15.14	7.23		
Cat: Morningstar Mid-Cap Value			1.03	4.58	17.26	5.74	13.37	6.17	1.12	
Artisan Mid Cap Advisor	Mid-Cap Growth	1.47%	6.80	15.29	17.08	6.53	12.72	8.74	1.05	3 RD QUAR
Russell Mid Cap Growth TR USD*			4.21	11.40	17.05	7.83	14.19	7.87		
Cat: Morningstar Mid-Cap Growth			4.68	12.37	18.58	6.86	12.72	6.81	1.21	
Undiscovered Managers Behavioral Val L	Small Value	0.99%	0.70	2.80	19.25	8.82	15.51	8.31	1.04	TOP DEC
Russell 2000 Value TR USD*			0.67	0.54	24.86	7.02	13.39	5.92		
Cat: Morningstar Small Value			0.26	0.52	21.15	5.18	12.48	5.97	1.27	
Fidelity@ Small Cap Discovery	Small Blend	2.44%	1.33	2.06	17.65	5.81	14.27	10.28	0.87	TOP QUAR
Russell 2000 TR USD*			2.46	4.99	24.60	7.36	13.70	6.92		
Cat: Morningstar Small Blend			1.53	3.24	20.96	5.71	12.76	6.12	1.17	
T. Rowe Price New Horizons I	Small Growth	1.03%	7.04	17.90	26.11	11.05	16.95	11.65	0.65	TOP DEC
Russell 2000 Growth TR USD*			4.39	9.97	24.40	7.64	13.98	7.82		
Cat: Morningstar Small Growth			4.33	10.15	23.13	6.68	12.79	7.03	1.28	

*Investment Policy Benchmark

401(k) Plan Underlying Investment Performance cont... – 6/30/2017

Fund Performance Summary

As of 06/30/2017

Fund Benchmark Category	Asset Class	(%) of Plan	3 Month	YTD	1 Year	3 Years Annualized	5 Years Annualized	10 Years Annualized	Expense Ratio	SageView Ranking
Parametric Commodity Strategy Instl	Commodities Broad Basket	0.70%	-3.30	-2.23	-1.24	-11.69	-6.89	NA	0.65	TOP DEC
Bloomberg Commodity TR USD*			-3.00	-5.26	-6.50	-14.81	-9.25	-6.49		
Cat: Morningstar Commodities Broad Basket			-4.08	-6.04	-6.71	-14.90	-9.20	-7.09	1.26	
Dodge & Cox International Stock	Foreign Large Blend	2.04%	4.75	14.51	30.37	0.64	10.23	2.34	0.64	2 ND QUAR
MSCI ACWI Ex USA NR USD*			5.78	14.10	20.45	0.80	7.22	1.13		
Cat: Morningstar Foreign Large Blend			6.26	14.46	19.13	1.18	7.81	0.96	1.06	
iShares Currency Hedged MSCI EAFE ETF	Foreign Large Blend	1.23%	3.20	8.85	22.53	7.09	NA	NA	0.36	Pass
MSCI ACWI Ex USA NR USD*			5.78	14.10	20.45	0.80	7.22	1.13		
Cat: Morningstar Foreign Large Blend			6.26	14.46	19.13	1.18	7.81	0.96	1.06	
Nationwide Bailard Intl Eqs R6	Foreign Large Blend	3.74%	5.51	13.57	15.69	1.84	8.91	1.37	0.87	TOP QUAR
MSCI ACWI Ex USA NR USD*			5.78	14.10	20.45	0.80	7.22	1.13		
Cat: Morningstar Foreign Large Blend			6.26	14.46	19.13	1.18	7.81	0.96	1.06	
MFS International Growth I	Foreign Large Growth	2.12%	10.47	19.35	19.98	3.95	8.35	3.50	0.97	2 ND QUAR
MSCI ACWI Ex USA Growth NR USD*			7.56	17.38	17.38	2.55	8.04	1.89		
Cat: Morningstar Foreign Large Growth			7.98	17.93	17.80	2.68	8.61	1.91	1.22	
Hartford Schroders Emerging Mkts Eq Y	Diversified Emerging Mkts	2.07%	7.24	20.65	26.51	2.32	4.41	2.61	1.15	2 ND QUAR
MSCI EM NR USD*			6.27	18.43	23.75	1.07	3.96	1.91		
Cat: Morningstar Diversified Emerging Mkts			6.87	18.14	20.48	0.49	4.08	1.60	1.39	
AQR Equity Market Neutral I	Market Neutral	0.75%	0.25	1.09	6.72	NA	NA	NA	1.39	NA
BofAML US Treasury Bill 3 Mon TR USD*			0.20	0.31	0.49	0.23	0.17	0.58		
Cat: Morningstar Market Neutral			0.02	0.66	2.75	0.64	1.31	0.92	1.66	
Arbitrage I	Market Neutral	1.31%	1.27	2.35	3.85	2.54	2.01	2.90	1.25	2 ND QUAR
BofAML US Treasury Bill 3 Mon TR USD*			0.20	0.31	0.49	0.23	0.17	0.58		
Cat: Morningstar Market Neutral			0.02	0.66	2.75	0.64	1.31	0.92	1.66	

*Investment Policy Benchmark

457 Plan Investment Performance – 6/30/2017

Fund Performance Summary

As of 06/30/2017

Fund Benchmark Category	Asset Class	(%) of Plan	3 Month	YTD	1 Year	3 Years Annualized	5 Years Annualized	10 Years Annualized	Expense Ratio	SageView Ranking
PruDC-Pru Ret Core Plus Bond/PGIM Fund SP	Stable Value	18.60%	0.46	0.84	1.63	1.68	1.83	2.49	0.30	See Attached
Hueler Stable Value Index*			0.47	0.91	1.83	1.78	1.81	2.62		
Cat: Custom PeerGroup: Hueler Stable Value			0.47	0.81	1.83	1.78	1.81	2.62	NA	
PruDC-Pru Ret Core Plus Bond/PGIM Fund SP	Intermediate-Term Bond	11.89%	2.25	3.96	2.63	3.20	3.12	5.41	0.83	2 ND QUAR
BBgBarc US Agg Bond TR USD*			1.45	2.27	-0.31	2.48	2.21	4.48		
Cat: Morningstar Intermediate-Term Bond			1.49	2.57	0.94	2.22	2.45	4.30	0.77	
PruDC-Pru Ret Large Cap Val/Wellington SP	Large Value	8.47%	1.74	4.85	14.30	7.19	12.19	4.36	1.12	2 ND QUAR
Russell 1000 Value TR USD*			1.34	4.66	15.53	7.36	13.94	5.57		
Cat: Morningstar Large Value			1.78	5.55	16.49	6.40	12.64	5.20	1.02	
Vanguard 500 Index Investor	Large Blend	13.32%	3.05	9.26	17.74	9.46	14.46	7.06	0.14	Pass
S&P 500 TR USD*			3.09	9.34	17.90	9.61	14.63	7.18		
Cat: Morningstar Large Blend			2.92	8.65	17.17	7.60	13.35	6.20	0.95	
PruDC-Pru Ret Large Cap Gr/American Century SP	Large Growth	12.53%	5.13	15.55	21.12	9.55	13.22	6.94	1.12	3 RD QUAR
Russell 1000 Growth TR USD*			4.67	13.99	20.42	11.11	15.30	8.91		
Cat: Morningstar Large Growth			5.01	14.14	20.02	8.80	13.87	7.51	1.12	
PruDC-Pru Ret Mid Cap Value/Integrity SP	Mid-Cap Value	2.16%	0.17	4.06	16.54	5.79	14.64	6.52	1.16	2 ND QUAR
Russell Mid Cap Value TR USD*			1.37	5.18	15.93	7.46	15.14	7.23		
Cat: Morningstar Mid-Cap Value			1.03	4.58	17.26	5.74	13.37	6.17	1.12	
Dreyfus Mid Cap Index Inv	Mid-Cap Blend	7.50%	1.87	5.72	18.00	8.05	14.41	8.10	0.50	Pass
S&P MidCap 400 TR*			1.97	5.99	18.57	8.53	14.92	8.56		
Cat: Morningstar Mid-Cap Blend			1.92	6.22	17.35	5.51	12.98	6.12	1.07	
PruDC-Pru Ret Mid Cap Gr/Waddell & Reed SP	Mid-Cap Growth	1.38%	5.66	12.43	16.73	5.28	11.01	7.82	1.20	3 RD QUAR
Russell Mid Cap Growth TR USD*			4.21	11.40	17.05	7.83	14.19	7.87		
Cat: Morningstar Mid-Cap Growth			4.68	12.37	18.58	6.86	12.72	6.81	1.21	

*Investment Policy Benchmark

457 Plan Investment Performance cont... - 6/30/2017

Fund Performance Summary

As of 06/30/2017

Fund Benchmark Category	Asset Class	(%) of Plan	3 Month	YTD	1 Year	3 Years Annualized	5 Years Annualized	10 Years Annualized	Expense Ratio	SageView Ranking
Small Cap Value / Kennedy Capital Fund	Small Value	5.60%	-0.30	2.54	23.49	5.90	15.36	8.88	1.15	TOP DEC
Russell 2000 Value TR USD*			0.67	0.54	24.86	7.02	13.39	5.92		
Cat: Morningstar Small Value			0.26	0.52	21.15	5.18	12.48	5.97	1.27	
Dreyfus Small Cap Stock Index Inv	Small Blend	3.13%	1.52	2.36	21.68	8.80	14.98	8.15	0.50	Pass
S&P SmallCap 600 TR USD*			1.71	2.79	22.47	9.32	15.47	8.44		
Cat: Morningstar Small Blend			1.53	3.24	20.96	5.71	12.76	6.12	1.17	
PruDC-Pru Ret Small Cap Growth/Brown SP	Small Growth	2.49%	4.33	9.43	15.91	1.34	7.45	NA	1.37	4TH QUAR
Russell 2000 Growth TR USD*			4.39	9.97	24.40	7.64	13.98	7.82		
Cat: Morningstar Small Growth			4.33	10.15	23.13	6.68	12.79	7.03	1.28	
PruGR-Pru Ret Real Estate/American Century SP	Real Estate	2.48%	1.42	1.64	-4.33	6.82	8.18	4.63	1.37	3RD QUAR
FTSE NAREIT Equity REITs TR USD*			1.52	2.70	-1.70	8.36	9.52	6.00		
Cat: Morningstar Real Estate			1.85	2.89	-0.61	7.25	8.51	5.19	1.16	
PruDC-Pru Ret Intl Blend/Wellington SP	Foreign Large Blend	10.36%	6.20	14.05	18.52	2.40	8.24	-0.50	1.36	2ND QUAR
MSCI ACWI Ex USA NR USD*			5.78	14.10	20.45	0.80	7.22	1.13		
Cat: Morningstar Foreign Large Blend			6.25	14.45	19.13	1.18	7.81	0.96	1.05	
Prudential Day One IncomeFlex Target Balanced Fund	Target-Date Retirement	0.09%	1.37	4.36	7.42	2.52	5.56	NA	1.96	NA
S&P Target Date Retirement Income TR USD*			1.79	4.03	4.95	3.20	4.76	3.93		
Cat: Morningstar Target-Date Retirement			1.80	4.44	5.70	2.65	4.38	3.67	0.81	

*Investment Policy Benchmark

Observations/Recommendations

- *Consider a more gradual portfolio glidepath or additional portfolios*
- *Review the conservative nature of the Highmark portfolios (conservative glidepath)*
- *Review and negotiate the current Highmark management fees (0.45%)*
- *Update the IPS and investment review documents to reflect the secondary benchmark focus of Highmark*
- *Request Highmark to address the fixed income credit profile in the portfolios, and SageView's observations as it relates to the Artisan Mid Cap and Fidelity Small Cap Discovery funds*
- *Request Highmark to provide feedback on using index funds in some categories, which will help with overall investment cost*
- *For the 457 plan, establishing a process for monitoring the plan investment options would be a fiduciary best practice; in addition to working with Prudential to reduce the expense ratios of the current plan options*
- *Consider remaining with Prudential for plan administration due to their ability to handle the current unique portfolio structure with Highmark*

**SUMMARY
&
APPENDIX**



1920 Main Street
Suite 800
Irvine, CA 92614

October 4, 2017

Bob Hill
General Manager
El Toro Water District
24251 Los Alisos Blvd
Lake Forest, CA 92630

Dear Bob,

We are pleased to present a report of our findings and recommendations based on our analysis of the El Toro Water District Retirement Plan Administrator (Prudential), 457 plan and 401(k) plan. This written summary is made up of the following sections, which reference supporting documentation attached in an Appendix:

- A. Retirement Plan Administrator Request for Information (RFI) Summary
- B. 457 Plan Investment Summary
- C. 401(k) Plan Investment Analysis and Summary; inclusive of Highmark Capital Management and the four plan investment portfolios

A. Retirement Plan Administrator Request for Information (RFI) Summary

A Request for Information (RFI) was sent to eight retirement plan administrators to determine their pricing for administering both the El Toro Water District 401(k) and 457 plans. The primary reason for asking other vendors for this information was to determine the marketplace for plan administration fees and to determine if Prudential would decrease their recent proposal of 0.71% annually to administer the El Toro Water District Plans. Of the eight vendors that received the RFI, two declined to bid due to the unique investment structure of the plans. Notably, through SageView's influence and negotiation, Prudential's fees were reduced from 0.71% to 0.28% annually (Prudential's fee for the past number of years has been 0.10% and El Toro Water District was recently informed it would be increased to 0.71% of assets annually). Prudential's negotiated fee is not the lowest of the vendors responding to the RFI, but may be a more palatable solution for El Toro Water District going forward. *Included on pages 17 thru 20 of the Appendix is a summary of the price quotes provided by the vendors included in the RFI.*

B. 457 Plan Investment Summary

SageView conducted an evaluation of the investment options offered to the participants of the 457 plan, using our proprietary quantitative investment scoring methodology. There are four investment options, per SageView's investment scoring methodology, which fall below median and at a minimum should be put on a watch list to evaluate in greater detail. Additionally, a review should be done of the investment expense ratios of the options offered in the plan, as they are higher than what SageView typically sees in these types of employee directed programs. Because the investment options in the 457 plan are providing revenue sharing to offset Prudential's administration fees (approximately 0.38% of plan assets annually), reviewing how the plan is paid for, will allow for a greater discussion around the flexibility of the available investment options and their related expenses. *Included on pages 21 thru 24 of the*



Appendix is a performance summary and SageView's scoring for the 457 plan investment options as of June 30, 2017.

C. 401(k) Plan Investment Analysis and Summary; inclusive of Highmark Capital Management and the four plan investment portfolios

Highmark Due Diligence and Investment Portfolio Performance Summary

SageView conducted a comprehensive review of Highmark Capital Management, the four asset allocation portfolios used in the 401(k) plan, and the fees charged by the underlying portfolio funds as well as Highmark's fees for their management services.

Specifically, SageView sent and received answers to a manager request for proposal from Highmark Capital in which they describe their organization, philosophy and major changes to the firm over the past number of years. *On pages 1 thru 3 of the Appendix to this document there is some additional detail covering SageView's observations of Highmark.* In general, however, Highmark Capital is an organization focused on asset management, has an experienced team and appears to SageView to have a sound approach and structure to be successful in their asset management mandate for El Toro Water District.

Specific to the El Toro Water District 401(k) Plan, HighMark has built a suite of four risk-based asset allocation portfolios. HighMark assigns participants into the four portfolios based on age, and they will automatically shift participant assets from one model to another as certain age thresholds are met. The allocation ranges, age thresholds, and SageView's suggested Morningstar classification for each portfolio are listed in the following table:

Portfolio	Capital Preservation	Income & Growth	Balanced	Growth
Age Range	60 years +	50-59	40-49	Under 40
Equity Range	5%-35%	30%-50%	50%-70%	65%-85%
Morningstar Primary	Asset Allocation 15%-30%	Asset Allocation 30%-50%	Asset Allocation 50%-70%	Asset Allocation 70%-85%
Morningstar Secondary	Target Date Retirement (participant age 65+)	Target Date 2025 (participant age 57)	Target Date 2035 (participant age 47)	Target Date 2055 (participant age 27)

SageView evaluated the four Highmark portfolio's investment performance against the primary Morningstar classification peer group identified above; which resulted in above median rankings for the four portfolios – *see Appendix pages 7 & 8.* While this is a positive result for the Highmark portfolios, these Morningstar classifications are limited due to their wide allocation ranges, i.e. 15% to 30% for the Capital Preservation benchmark.

SageView prefers, however, to evaluate the investment performance of the four Highmark age based portfolios against Highmark's custom benchmark, SageView's custom benchmark and the Morningstar average return benchmark for a similarly structured target date fund (which includes a rolldown in equity exposure over time). The performance for each portfolio and these benchmarks are included below.



Performance as of June 30, 2017	YTD	1-yr.	3-yr.	5-yr
Capital Preservation Portfolio	3.88%	4.08%	2.76%	4.20%
HM Capital Preservation Benchmark	3.07%	3.34%	2.41%	3.97%
Variance	+0.81%	+0.74%	+0.35%	+0.23%
SageView Benchmark	4.21%	4.26%	3.47%	4.66%
Variance	-0.33%	-0.18%	-0.71%	-0.46%
M* Target Date Retirement	4.44%	5.70%	2.56%	4.71%

Performance as of June 30, 2017	YTD	1-yr.	3-yr.	5-yr
Income & Growth Portfolio	5.60%	7.57%	3.65%	6.28%
HM Income & Growth Benchmark	4.81%	7.11%	3.68%	6.43%
Variance	+0.79%	+0.46%	-0.03%	-0.15%
SageView Benchmark	5.88%	7.86%	4.35%	6.74%
Variance	-0.28%	-0.29%	-0.70%	-0.46%
M* Target Date 2025	7.21%	10.90%	3.97%	7.82%

Performance as of June 30, 2017	YTD	1-yr.	3-yr.	5-yr
Balanced Portfolio	7.21%	11.53%	4.82%	8.34%
HM Balanced Benchmark	6.46%	10.74%	4.68%	8.70%
Variance	+0.75%	+0.79%	+0.14%	-0.36%
SageView Benchmark	7.52%	11.59%	5.15%	8.78%
Variance	-0.31%	-0.06%	-0.33%	-0.44%
M* Target Date 2035	9.00%	14.48%	4.74%	9.40%

Performance as of June 30, 2017	YTD	1-yr.	3-yr.	5-yr
Growth Portfolio	8.27%	14.11%	5.36%	9.20%
HM Growth Benchmark	7.74%	13.59%	5.48%	10.05%
Variance	+0.53%	+0.52%	-0.12%	-0.85%
SageView Benchmark	8.69%	14.31%	5.68%	9.89%
Variance	-0.42%	-0.20%	-0.32%	-0.69%
M* Target Date 2055	10.09%	16.62%	5.31%	10.53%

In summary, in situations where the four portfolios underperformed relative to the HighMark benchmark, it is an indication that HighMark was challenged to deliver value through underlying fund selection. This can frequently be the case during bull market cycles if the manager has selected very conservative underlying funds. As it relates to any underperformance in relation to the SageView benchmark, it suggests that HighMark was challenged to deliver alpha through its asset allocation decisions and investment expense structure. An example of a decision that has not (yet) lead to excess returns is Highmark's decision to introduce liquid alternatives into the portfolios in 2014. The decision by El Toro Water District to follow a conservative glide path is reflected when benchmarking the performance to a target date benchmark such as the Morningstar categories used above.

Risk-adjusted performance figures reflect positively on the HighMark portfolios. Most of the portfolios exhibit lower long-term standard deviations and higher Sharpe ratios (a measure of risk-adjusted performance) than their peers. This indicates that participants are ultimately benefiting from a positive



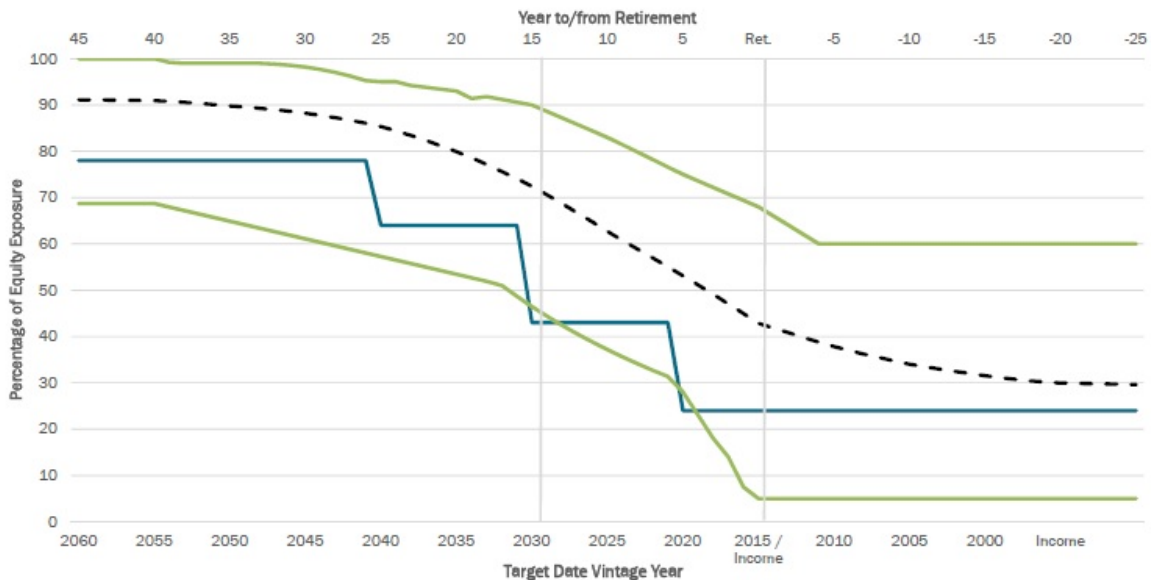
tradeoff between risk and return, one that is actually better than they may receive, for example, in most target date funds.

Overall, Highmark’s portfolios did not significantly outperform or underperform any of the benchmarks with the exception of a few periods of more significant underperformance when compared to the Morningstar target date equivalent benchmarks. This underperformance, however, must be explained in the context of the conservative nature of the Highmark portfolios glidepath, and in turn the higher equity exposure in the Morningstar benchmark. In summary, depending on which benchmark is used, Highmark’s investment performance can be judged to be slightly above or below median. As discussed previously, the conservative nature of the four portfolios allocations will have the greatest impact upon current and future performance. *Please see SageView’s benchmark construction information on Appendix pages 4 thru 6.*

HighMark Portfolio Observations

We have closely reviewed the asset allocation structure of all four portfolios and have made several observations. Our first observation relates to the glide path that is being utilized for El Toro. A glide path is the plan for changing an investor’s asset allocation (or alternatively, reducing their exposure to risky assets) as they age. In El Toro’s case, the glide path is much more conservative than the typical industry glide path. In the illustration below, the El Toro glide path appears in blue alongside the glide paths of the industry average, and the minimum and maximum glide paths out in the marketplace today. Two things are readily apparent: 1) the glide path has a “stair step” appearance because plan participants transition between portfolios at a single point in time as opposed to transitioning gradual over an extended period, and 2) the glide path has far less equity exposure across all time periods than comparable strategies.

Glide Path Comparison



Vintage	2060	2055	2050	2045	2040	2035	2030	2025	2020	2015	2010	2005	2000
Years to Retirement	45	40	35	30	25	20	15	10	5	Ret.	-5	-10	-15
HighMark	78%	78%	78%	78%	64%	64%	43%	43%	24%	24%	24%	24%	24%
MAX	100%	100%	99%	98%	95%	93%	90%	83%	75%	68%	60%	60%	60%
AVG	91%	91%	90%	88%	85%	80%	72%	63%	53%	43%	38%	34%	32%
MIN	69%	69%	65%	61%	57%	53%	46%	37%	28%	5%	5%	5%	5%



A second observation relates to Highmark’s division of asset class weights between domestic equities and international equities. In our experience, the typical portfolio allocation to international stocks ranges between 30% and 40% of total equity exposure. In Highmark’s case, the international allocation is closer to 25% of total equity exposure, making it an outlier in this way.

Another observation in which Highmark’s portfolios differ from industry norms is in its degree of fixed income credit risk. Highmark’s bond portfolio has a marked tilt toward lower quality debt; notably, the portfolios’ allocations to junk bonds is north of 20% of total bond exposure. The credit profiles of the El Toro portfolios potentially causes them to be susceptible to credit events and even swings in broad equity markets.

Finally, it is important to note the extent to which these portfolios are tactically managed. Relative to SageView’s perspective on the marketplace, HighMark is liberal in its application of tactical bets, which can be seen in changes in the asset allocation over time. It is SageView’s assumption that these tactical changes have been discussed and reported to El Toro Water District over the life of the Highmark engagement.

Highmark Portfolio Expenses – investment expenses

Portfolio Fees	Capital Preservation	Income & Growth	Balanced	Growth
Gross Expense Ratio (exclusive of Highmark fee)	0.61%	0.66%	0.70%	0.73%
Net Expense Ratio (including Highmark Fee)	1.05%	1.10%	1.14%	1.17%

HighMark charges a tiered fee to manage the portfolios for the plan. This fee starts at 0.45% (45 basis points) per year for all assets up to \$15 million, and 0.40% thereafter. Based on plan assets as of June 30, 2017, the weighted average management fee is roughly 0.44% presently, or approximately \$86,000 annually.

Overall, HighMark is using mostly institutional share class funds in the El Toro Water District Savings Retirement Plan portfolios. These share classes provide the lowest cost option for the respective investment options. However, when the 0.45% management fee is included in the overall average cost of the portfolios, they become more expensive than comparable options in SageView’s opinion. Based on our experience in the retirement plan marketplace, the annual fee of 0.45% that is being charged by Highmark for their investment portfolio management should be reviewed and negotiated as it is at the higher end of the fee range.

Review of underlying funds included in the four Highmark portfolios

SageView also analyzed the underlying funds that make up the four portfolios in the El Toro Water District Retirement Savings Plan. SageView has developed a custom scoring system to evaluate managers that includes the following criteria: trailing performance over several time periods, rolling 12-month and 36-month returns, Sharpe ratio, alpha, up and down capture ratios, expenses and style consistency.



Based on these metrics, nearly all of the underlying funds in the four El Toro portfolios (with one exception) scored in the second quartile (above median) or better within their respective categories. The one actively managed fund that presently scores in the third quartile is Artisan Mid Cap. Artisan is classified as a Mid-Cap Growth fund by Morningstar and has failed in the SageView scoring system for four straight quarters. As a result, we would suggest that HighMark explore other Mid-Cap Growth options at this time. Artisan Mid Cap follows a distinctive high-growth strategy that leads to the selection of companies possessing sustainable competitive advantages and accelerating profit cycles. They purposefully split their portfolio among companies in different stages of their profit cycles in an effort to create consistent performance patterns. Unfortunately, the fund's execution (i.e. security selection) has been consistently subpar in recent years.

Another fund that is worth discussing is the Fidelity Small Cap Discovery Fund (classified as Small Blend by Morningstar). This fund scores well in our system, but we recently placed it on our Watch List for qualitative reasons. The fund's lead manager, Chuck Myers, recently announced that he will be retiring from Fidelity at the end of 2017, at age 41. Replacing him will be current co-manager Derek Janssen, who will be phasing out of his current PM role on the Small Cap Value Fund over the course of 2017 as his role on Fidelity Small Cap Discovery increases. Mr. Janssen took over the Small Cap Value Fund, another one of Mr. Myers' former charges, in 2015, and has demonstrated his own investment style to be somewhat more quality-focused than Myers' style. He has served as a co PM on the Small Cap Discovery Fund since March 2016, when Mr. Myers took a 6-month sabbatical. The overall investment strategy and mandate of the fund is not expected to change materially, but it will be a change for Mr. Janssen to run a portfolio that is more growth leaning and more than twice the size of the Small Value Fund. We believe that further monitoring is warranted throughout and following the management transition period.

Several of the funds that are being utilized in the portfolios have lower-cost collective investment trusts (CITs) available, and we would suggest that these options be explored further.

Information on the underlying portfolio funds and SageView's evaluation of them can be found on Appendix pages 9 thru 16.

Observations/Recommendations

- **Consider transitioning from risk-based portfolios to age-based portfolios, essentially creating a roll-down allocation change versus the cliff changes that occur today; or Consider adding additional portfolios to the suite to minimize the cliff issue today and to allow for more age appropriate allocations.**
- **Review the conservative nature of the current portfolios (conservative glidepath) and confirm the desire to continue the current approach.**
- **Review the current Highmark management fee of 0.45% to determine whether this is acceptable to El Toro Water District**



- **Ensure that the committee’s practices with respect to custom benchmarking are in line with the plan IPS.** Currently, the “secondary benchmarks” serve as the primary basis for performance assessment, despite the name. If the IPS outlines the name of each portfolio’s custom benchmark or defines how it is built, this setup could pose a fiduciary risk to the committee.
- **Request Highmark to address the fixed income credit profile in the portfolios.** SageView believes the low-quality nature of the bond portfolio makes it highly susceptible to credit events and to swings in equity and junk bond markets. At minimum, these exposures need to be well understood by El Toro Water District.
- **For the 401(k) plan, request Highmark to provide their view of the Artisan Mid Cap fund and the Fidelity Small Cap Discovery fund, and their approach with these managers in the portfolios going forward.**
- **Request Highmark to provide feedback on using index funds in some categories.** Adding index funds for the blend or core portion of the large, mid and small cap market cap categories will reduce the overall cost of the portfolios and can help ensure that desired asset class allocations are attained. While SageView believes in active management in some categories, most studies have shown that asset allocation accounts for 80% to 90% of the variability of a portfolio’s returns. Reducing the costs of the portfolios to the participants is a prudent fiduciary practice.
- **For the 457 plan, establishing a process for monitoring the plan investment options would be a good fiduciary practice.** Consider evaluating and/or replacing the current underperforming options.
- **For the 457 plan, review the plan investment expenses and revenue sharing to determine if any cost savings to the participants can be achieved.**

We thank you for the opportunity to provide this review for you. If you should have any questions regarding this report or your retirement plans in general, please don’t hesitate to contact us.

Sincerely,

Jon Upham, MA, AIF
Principal

Todd Stewart, CFA
Managing Director

Patrick Raynor, CFA
Senior Investment Advisor



Highmark Capital Management Due Diligence (RFP) Summary

HighMark Capital Management Due Diligence (RFP) Summary

Overview: HighMark Capital Management (HighMark) started operations as a registered investment adviser on September 1, 1998. Currently, HighMark is a wholly-owned subsidiary of Union Bank, N.A., and manages around \$15.6 billion in assets for a diverse client base that includes municipalities, government agencies, corporations, foundations and endowments.

HighMark experienced some senior management turnover in 2015 when David Wines was named President and CEO, replacing Dennis Mooradian, who had served in that role for just three years. Mr. Wines is also the firm's Chief Fixed Income Officer. He serves in a co-CIO capacity alongside Derek Izuel, the firm's Chief Equity Officer. Both have been in place since 2012.

HighMark made the decision to exit the mutual fund business in 2012, and in 2013, HighMark sold its 5 money market mutual funds to Reich & Tang Asset Management and its 17 equity and fixed income mutual funds to Nationwide Funds. HighMark continues to serve as a sub-advisor to the Nationwide funds. Meanwhile, the firm's assets under management have fallen from a peak of around \$23 billion in 2007 to \$15.6 billion as of June 30, 2017.

Recent portfolio changes: In the time since SageView last conducted a review of El Toro's risk-based portfolios in 2009, there have been a couple notable changes in the way the portfolios are managed. A summary of the changes is as follows:

- **Eliminated proprietary HighMark fund exposure:** This was provided to the committee as a key recommendation in 2009, and it addresses the conflict of interest that previously existed with regards to HighMark's management of participant assets. Moving to a fully non-proprietary investment structure also helps to simplify the billing process and allows for a clearer review of plan costs, which will facilitate plan benchmarking efforts.
- **Introduction of new "alternative" asset class into the portfolios:** Liquid alternatives are a relatively new investment category in the 40-Act mutual fund space, one that actually comprises a number of highly disparate investment strategies. These funds rose in popularity in the wake of the 2008-2009 financial crisis, when correlations among most traditional asset classes rose to record levels and industry practitioners searched for investments that could offer true diversification benefits during periods of market stress. SageView supports the use of these strategies on a selective basis, although they are generally difficult to incorporate as part of a core fund menu in the typical defined contribution plan. The sponsor-directed nature of the El Toro 401(k) plan makes it an ideal environment for these types of investments.

SageView applauds both of these enhancements and believes they will ultimately lead to better outcomes for plan participants. **Evaluation of allocation strategy of the current portfolios:** HighMark believes that the key determinant of competitive investment performance is the asset allocations process. This is consistent with conclusions reached by many research studies that have examined performance attribution of diversified investment portfolios. HighMark seeks to add value in several ways:

- A) Building a robust strategic asset allocation framework that is consistent with client needs and objectives.** HighMark's asset allocation strategy starts with an Asset Allocation Committee (AAC) that examines and analyzes the broad state of global economies and capital markets. Among the variables the committee considers are interest rates, fiscal and monetary policy, corporate earnings, relative yields, and market valuations. The team combines its qualitative input with a quantitative technique called mean-variance optimization (MVO) to determine the optimal mix of asset classes. Once the asset allocation decision is completed by the AAC, a strategic allocation is developed to take into account the client's objectives, guidelines and investment benchmark.
- B) Tactically allocating around the strategic asset allocations.** After this initial strategic allocation is implemented for the client, HighMark will then make tactical adjustments to the allocation in order to take advantage of perceived shorter-term market opportunities, or alternatively, to protect against then-prevailing market risks. These tactical moves are developed by HighMark's Asset Allocation Committee based on a variety of quantitative and fundamental inputs, market trends, changes in return forecasts, and client needs.
- C) Leveraging a dedicated team of research professionals in selecting best-in-class, open architecture investment solutions to populate the portfolios.** The manager due diligence process is composed of a quantitative screening process followed by qualitative/fundamental analysis. After the quantitative screens determine a short list of potential managers, an 8-factor qualitative analysis process helps select the managers that make it onto HighMark's Approved List of managers.

SageView Custom Benchmark Summary

SageView Custom benchmark development for each of the 4 portfolios/funds

Most industry experts agree that it is very difficult to develop a universal benchmark that is relevant to all asset allocation investments, and that custom benchmarking should play a role in proper due diligence efforts.

Custom benchmarks can be designed in many different ways, but they are typically built with eye toward an investment’s long-term asset allocation plan (i.e. glide path) in mind. One way to construct a custom benchmark is to identify the strategic weight that is given to each asset class or sub-asset class that is represented in the portfolio, and assign the same weight to an index that is representation of that asset class. If the custom benchmark is built in such a way that it matches the glide path at a very granular level, it will be very useful in assessing whether the manager is adding value through security selection and tactical management decisions. “Granular” custom benchmarks such as these can match the glide path even down to the individual underlying fund level by assigning the fund weights to each fund’s prospectus benchmark.

Another way to build a custom benchmark is to use broader constituents that are more reflective of market capitalization weights and/or industry norms with regards to asset allocation. For instance, a custom benchmark that included a single index such as the Russell 3000 Index for the entire equity asset class would be considered a broadly built custom benchmark. Broad-based custom benchmarks will also account for underlying fund selection and tactical shifts, but they are mainly aiming to assess the impact of the managers’ strategic asset allocation decisions, which are far and away the biggest drivers of performance over the long term. Using the example of the custom benchmark with the Russell 3000 equity proxy, if the target date manager had built its strategic asset allocation plan in such a way that mid- and large-cap stocks received a structurally higher allocation than market capitalizations would suggest, the benchmark will be useful for judging the impact of that decision over time.

The El Toro risk-based portfolios currently have two sets of custom benchmarks that are maintained by HighMark – a set of four “primary benchmarks” and a set of four “secondary benchmarks.” It is our understanding from speaking with HighMark that the primary benchmark is defined in the plan’s Investment Policy Statement and historically served as the primary basis of portfolio comparison, but that the secondary benchmark has taken precedence in recent years and is now the only benchmark against which the portfolios are truly assessed.

The portfolios’ “secondary benchmarks” are what we would consider to be relatively granular benchmarks, which is to say they have been constructed in such a way that makes them useful in assessing whether HighMark is adding value through tactical management and fund selection. However, they are less useful in assessing the impact of HighMark’s longer-term asset allocation decisions. Therefore, SageView designed four additional custom benchmarks that are broad-based and comprise four underlying components, as follows:

Asset Class:	US Equity	International Equity	Bonds	Cash
Index Proxy:	Russell 3000 TR USD	MSCI ACWI Ex USA IMI NR USD	Bloomberg Barclays US Aggregate Bond TR USD	Citi Treasury Bill 3 Month USD

When assigning allocations to each of the four constituents of the SageView custom benchmarks, we matched the target (i.e. strategic) weights that were assigned to that asset class in the portfolios, using the existing custom benchmarks as a proxy for the target weights. In the case of liquid alternatives, we split the allocation evenly between equity and fixed income, which reflects our observation that the majority of these strategies exhibit the risk characteristics of a balanced fund over time. This treatment is also in line with the practical application of these strategies in the El Toro plan, since HighMark appears to have funded them through an even mixture of equity and fixed income. In the case of real assets strategies, such as REITs and commodities, we assigned the full weight of these categories to equities.

One other note regarding our custom benchmarks for El Toro relates to the allocation assignment between domestic and international equities. Ideally, we would like to use a global equity index (such as the MSCI World Index) as a proxy for all equity exposure. The problem in doing so is that it is not representative of the way in which the vast majority of asset allocators and investment managers invest. A global market capitalization-weighted index may assign north of 60% of its assets to non-US entities, while the typical portfolio's allocation to international stocks ranges between 30% and 40% of total equity exposure. Many research studies have also been conducted to support this range based on the diversification benefits achieved. Given the disparity between the market capitalization-based approach and industry norms, we elected to use separate domestic and international stock indices when building El Toro's custom benchmark suite. We split total equity exposure between the Russell 3000 (65%) and the MSCI ACWI Ex USA IMI (35%) consistently across all four benchmarks.

401(k) Portfolio Performance Summary

Fund Performance Summary

As of 06/30/2017

Fund Benchmark Category	Asset Class	(%) of Plan	3 Month	YTD	1 Year	3 Years Annualized	5 Years Annualized	10 Years Annualized	Expense Ratio	SageView Ranking
El Toro Capital Preservation (Gross)	Allocation–15% to 30% Equity	0.00%	1.79	4.10	4.54	3.21	4.66	NA	0.61	TOP DEC
El Toro Capital Preservation Benchmark*			1.40	3.07	3.34	2.41	3.97			
Cat: Morningstar Allocation–15% to 30% Equity			1.40	3.51	4.75	2.12	3.74	3.91	1.06	
El Toro Capital Preservation (Net)	Allocation–15% to 30% Equity	20.88%	1.68	3.88	4.08	2.76	4.20	NA	1.05	2 ND QUAR
El Toro Capital Preservation Benchmark*			1.40	3.07	3.34	2.41	3.97			
Cat: Morningstar Allocation–15% to 30% Equity			1.40	3.51	4.75	2.12	3.74	3.91	1.06	
El Toro Income & Growth (Gross)	Allocation–30% to 50% Equity	0.00%	2.38	5.83	8.03	4.10	6.74	NA	0.66	TOP DEC
El Toro Income & Growth Benchmark*			1.99	4.81	7.11	3.68	6.43			
Cat: Morningstar Allocation–30% to 50% Equity			1.84	4.90	7.22	2.85	5.74	4.26	1.19	
El Toro Income & Growth (Net)	Allocation–30% to 50% Equity	60.57%	2.27	5.60	7.57	3.65	6.28	NA	1.10	TOP QUAR
El Toro Income & Growth Benchmark*			1.99	4.81	7.11	3.68	6.43			
Cat: Morningstar Allocation–30% to 50% Equity			1.84	4.90	7.22	2.85	5.74	4.26	1.19	
El Toro Balanced (Gross)	Allocation–50% to 70% Equity	0.00%	2.89	7.44	12.01	5.28	8.81	NA	0.70	TOP DEC
El Toro Balanced Benchmark*			2.51	6.46	10.74	4.68	8.70			
Cat: Morningstar Allocation–50% to 70% Equity			2.35	6.30	10.67	4.00	7.97	4.89	1.17	
El Toro Balanced (Net)	Allocation–50% to 70% Equity	12.06%	2.78	7.21	11.53	4.82	8.34	NA	1.14	TOP QUAR
El Toro Balanced Benchmark*			2.51	6.46	10.74	4.68	8.70			
Cat: Morningstar Allocation–50% to 70% Equity			2.35	6.30	10.67	4.00	7.97	4.89	1.17	
El Toro Growth (Gross)	Allocation–70% to 85% Equity	0.00%	3.22	8.50	14.60	5.82	9.67	NA	0.73	TOP DEC
El Toro Growth Benchmark*			2.93	7.74	13.59	5.48	10.05			
Cat: Morningstar Allocation–70% to 85% Equity			2.79	7.78	13.44	4.21	9.28	4.37	1.30	
El Toro Growth (Net)	Allocation–70% to 85% Equity	6.49%	3.11	8.27	14.11	5.36	9.20	NA	1.17	TOP QUAR
El Toro Growth Benchmark*			2.93	7.74	13.59	5.48	10.05			
Cat: Morningstar Allocation–70% to 85% Equity			2.79	7.78	13.44	4.21	9.28	4.37	1.30	

*Investment Policy Benchmark



401(k) Plan Underlying Holdings Performance

Asset Allocation by Fund

As of 06/30/2017

Fund	% of Plan Assets	Total Assets
Prudential Total Return Bond Q	12.46%	\$2,398,681.31
PIMCO Total Return Instl	12.43%	\$2,393,034.87
Dodge & Cox Income	12.35%	\$2,378,374.23
Columbia Contrarian Core Z	5.13%	\$986,716.91
Vanguard Growth & Income Adm	5.08%	\$978,302.14
Eaton Vance Floating-Rate & Hi Inc Inst	4.63%	\$892,324.39
Nationwide Bailard Intl Eqs R6	3.74%	\$719,601.23
First American Instl Prime Obligs Z	3.14%	\$605,192.25
Fidelity® Small Cap Discovery	2.44%	\$469,466.39
Western Asset Macro Opportunities IS	2.14%	\$412,325.69
MFS International Growth I	2.12%	\$408,435.77
Hartford Schroders Emerging Mkts Eq Y	2.07%	\$398,424.51
Eaton Vance Gbl Macro Abs Ret Advtg I	2.05%	\$395,000.66
Dodge & Cox International Stock	2.04%	\$392,332.31
T. Rowe Price Growth Stock I	1.89%	\$364,105.44
Harbor Capital Appreciation Retirement	1.87%	\$360,042.41
Vanguard Short-Term Investment-Grade Adm	1.82%	\$350,423.22
Payden Low Duration Fund	1.81%	\$348,435.65
Dodge & Cox Stock	1.81%	\$347,899.67
PIMCO RAE Fundamental US Institutional	1.80%	\$347,496.05
Natixis ASG Managed Futures Strategy Y	1.55%	\$297,529.38
AQR Managed Futures Strategy I	1.54%	\$297,098.93
Artisan Mid Cap Advisor	1.47%	\$283,086.93
Victory Sycamore Established Value I	1.41%	\$271,250.91
Arbitrage I	1.31%	\$252,018.16
Blackstone Alternative Multi-Strategy I	1.29%	\$248,342.73
AQR Style Premia Alternative I	1.28%	\$246,581.53
iShares Currency Hedged MSCI EAFE ETF	1.23%	\$236,312.30
iShares TIPS Bond ETF	1.15%	\$221,188.50
T. Rowe Price New Horizons I	1.03%	\$198,839.31
Undiscovered Managers Behavioral Val L	0.99%	\$190,984.19
BlackRock Strategic Income Opps K	0.76%	\$146,271.49
AQR Equity Market Neutral I	0.75%	\$145,014.45



Asset Allocation by Fund

As of 06/30/2017

Fund	% of Plan Assets	Total Assets
iShares Gold Trust	0.72%	\$137,907.00
Parametric Commodity Strategy Instl	0.70%	\$133,914.35
Total Market Value:	100.00%	\$19,252,955.26



Fund Performance Summary

As of 06/30/2017

Fund Benchmark Category	Asset Class	(%) of Plan	3 Month	YTD	1 Year	3 Years Annualized	5 Years Annualized	10 Years Annualized	Expense Ratio	SageView Ranking
AQR Managed Futures Strategy I	Managed Futures	1.54%	-4.66	-5.58	-15.37	0.67	1.76	NA	1.22	TOP QUAR
S&P 500 TR USD*			3.09	9.34	17.90	9.61	14.63	7.18		
Cat: Morningstar Managed Futures			-2.79	-2.59	-7.35	1.66	1.10	-0.93	1.92	
Natixis ASG Managed Futures Strategy Y	Managed Futures	1.55%	-3.04	-2.54	-12.66	1.97	4.32	NA	1.49	2ND QUAR
S&P 500 TR USD*			3.09	9.34	17.90	9.61	14.63	7.18		
Cat: Morningstar Managed Futures			-2.79	-2.59	-7.35	1.66	1.10	-0.93	1.92	
First American Instl Prime Obligs Z	Prime Money Market	3.14%	0.23	0.39	0.55	0.25	0.16	0.67	0.20	NA
BofAML US Treasury Bill 3 Mon TR USD*			0.20	0.31	0.49	0.23	0.17	0.58		
Cat: Morningstar Prime Money Market			0.14	0.25	0.36	0.16	0.11	0.58	0.50	
Eaton Vance Floating-Rate & Hi Inc Inst	Bank Loan	4.63%	1.14	2.71	8.69	3.77	4.66	4.19	0.82	2ND QUAR
Credit Suisse Leveraged Loan USD*			0.75	1.96	7.49	3.49	4.83	4.16		
Cat: Morningstar Bank Loan			0.60	1.61	6.65	2.62	3.85	3.26	1.09	
Payden Low Duration Fund	Short-Term Bond	1.81%	0.47	1.00	1.32	1.07	1.35	2.49	0.43	2ND QUAR
BBgBarc US Govt/Credit 1-3 Yr TR USD*			0.31	0.72	0.35	0.95	0.95	2.30		
Cat: Morningstar Short-Term Bond			0.56	1.20	1.24	1.08	1.34	2.40	0.75	
Vanguard Short-Term Investment-Grade Adm	Short-Term Bond	1.82%	0.74	1.57	1.31	1.89	2.15	3.29	0.10	TOP DEC
BBgBarc US Govt/Credit 1-3 Yr TR USD*			0.31	0.72	0.35	0.95	0.95	2.30		
Cat: Morningstar Short-Term Bond			0.56	1.20	1.24	1.08	1.34	2.40	0.75	
iShares TIPS Bond ETF	Inflation-Protected Bond	1.15%	-0.41	0.81	-0.71	0.50	0.15	4.15	0.20	Pass
BBgBarc US Treasury US TIPS TR USD*			-0.40	0.85	-0.63	0.63	0.27	4.27		
Cat: Morningstar Inflation-Protected Bond			-0.49	0.68	0.09	-0.01	-0.17	3.33	0.69	
Dodge & Cox Income	Intermediate-Term Bond	12.35%	1.50	2.71	3.24	2.85	3.45	5.20	0.43	TOP DEC
BBgBarc US Agg Bond TR USD*			1.45	2.27	-0.31	2.48	2.21	4.48		
Cat: Morningstar Intermediate-Term Bond			1.49	2.57	0.94	2.22	2.45	4.30	0.77	

*Investment Policy Benchmark



Fund Performance Summary

As of 06/30/2017

Fund Benchmark Category	Asset Class	(%) of Plan	3 Month	YTD	1 Year	3 Years Annualized	5 Years Annualized	10 Years Annualized	Expense Ratio	SageView Ranking
PIMCO Total Return Instl	Intermediate-Term Bond	12.43%	1.80	3.46	2.17	2.58	2.76	5.94	0.46	2 ND QUAR
BBgBarc US Agg Bond TR USD*			1.45	2.27	-0.31	2.48	2.21	4.48		
Cat: Morningstar Intermediate-Term Bond			1.49	2.57	0.94	2.22	2.45	4.30	0.77	
Prudential Total Return Bond Q	Intermediate-Term Bond	12.46%	2.21	4.09	2.39	3.65	4.07	6.17	0.43	TOP DEC
BBgBarc US Agg Bond TR USD*			1.45	2.27	-0.31	2.48	2.21	4.48		
Cat: Morningstar Intermediate-Term Bond			1.49	2.57	0.94	2.22	2.45	4.30	0.77	
BlackRock Strategic Income Opps K	Nontraditional Bond	0.76%	1.02	2.50	5.50	2.12	3.67	NA	0.57	TOP DEC
Wilshire Liquid Alternative TR USD*			0.66	2.08	3.55	0.12	1.88	1.06		
Cat: Morningstar Nontraditional Bond			1.27	2.85	5.91	1.96	2.70	3.58	1.23	
Eaton Vance Gbl Macro Abs Ret Advtg I	Nontraditional Bond	2.05%	1.73	4.55	8.23	6.30	4.80	NA	1.23	TOP QUAR
Wilshire Liquid Alternative TR USD*			0.66	2.08	3.55	0.12	1.88	1.06		
Cat: Morningstar Nontraditional Bond			1.27	2.85	5.91	1.96	2.70	3.58	1.23	
Western Asset Macro Opportunities IS	Nontraditional Bond	2.14%	6.38	11.24	12.51	6.39	NA	NA	1.23	TOP DEC
Wilshire Liquid Alternative TR USD*			0.66	2.08	3.55	0.12	1.88	1.06		
Cat: Morningstar Nontraditional Bond			1.27	2.85	5.91	1.96	2.70	3.58	1.23	
Dodge & Cox Stock	Large Value	1.81%	1.76	6.81	28.65	8.48	16.36	5.89	0.52	TOP DEC
Russell 1000 Value TR USD*			1.34	4.66	15.53	7.36	13.94	5.57		
Cat: Morningstar Large Value			1.78	5.55	16.49	6.40	12.64	5.20	1.02	
PIMCO RAE Fundamental US Institutional	Large Value	1.80%	0.57	4.14	13.33	6.49	13.89	6.76	0.40	TOP DEC
Russell 1000 Value TR USD*			1.34	4.66	15.53	7.36	13.94	5.57		
Cat: Morningstar Large Value			1.78	5.55	16.49	6.40	12.64	5.20	1.02	
Columbia Contrarian Core Z	Large Blend	5.13%	3.83	10.89	17.79	9.68	15.57	9.22	0.81	TOP DEC
S&P 500 TR USD*			3.09	9.34	17.90	9.61	14.63	7.18		
Cat: Morningstar Large Blend			2.92	8.65	17.17	7.60	13.35	6.20	0.95	

*Investment Policy Benchmark



Fund Performance Summary

As of 06/30/2017

Fund Benchmark Category	Asset Class	(%) of Plan	3 Month	YTD	1 Year	3 Years Annualized	5 Years Annualized	10 Years Annualized	Expense Ratio	SageView Ranking
Vanguard Growth & Income Adm	Large Blend	5.08%	2.52	7.94	16.53	9.57	14.71	6.69	0.23	TOP DEC
S&P 500 TR USD*			3.09	9.34	17.90	9.61	14.63	7.18		
Cat: Morningstar Large Blend			2.92	8.65	17.17	7.60	13.35	6.20	0.95	
Harbor Capital Appreciation Retirement	Large Growth	1.87%	6.02	17.32	24.46	10.69	15.26	9.24	0.57	2 ND QUAR
Russell 1000 Growth TR USD*			4.67	13.99	20.42	11.11	15.30	8.91		
Cat: Morningstar Large Growth			5.01	14.14	20.02	8.80	13.87	7.51	1.12	
T. Rowe Price Growth Stock I	Large Growth	1.89%	7.58	19.59	29.15	12.60	16.47	8.98	0.52	TOP DEC
Russell 1000 Growth TR USD*			4.67	13.99	20.42	11.11	15.30	8.91		
Cat: Morningstar Large Growth			5.01	14.14	20.02	8.80	13.87	7.51	1.12	
Victory Sycamore Established Value I	Mid-Cap Value	1.41%	0.32	5.48	16.22	10.24	15.82	9.45	0.69	TOP DEC
Russell Mid Cap Value TR USD*			1.37	5.18	15.93	7.46	15.14	7.23		
Cat: Morningstar Mid-Cap Value			1.03	4.58	17.26	5.74	13.37	6.17	1.12	
Artisan Mid Cap Advisor	Mid-Cap Growth	1.47%	6.80	15.29	17.08	6.53	12.72	8.74	1.05	3 RD QUAR
Russell Mid Cap Growth TR USD*			4.21	11.40	17.05	7.83	14.19	7.87		
Cat: Morningstar Mid-Cap Growth			4.68	12.37	18.58	6.86	12.72	6.81	1.21	
Undiscovered Managers Behavioral Val L	Small Value	0.99%	0.70	2.80	19.25	8.82	15.51	8.31	1.04	TOP DEC
Russell 2000 Value TR USD*			0.67	0.54	24.86	7.02	13.39	5.92		
Cat: Morningstar Small Value			0.26	0.52	21.15	5.18	12.48	5.97	1.27	
Fidelity® Small Cap Discovery	Small Blend	2.44%	1.33	2.06	17.65	5.81	14.27	10.28	0.87	TOP QUAR
Russell 2000 TR USD*			2.46	4.99	24.60	7.36	13.70	6.92		
Cat: Morningstar Small Blend			1.53	3.24	20.96	5.71	12.76	6.12	1.17	
T. Rowe Price New Horizons I	Small Growth	1.03%	7.04	17.90	26.11	11.05	16.95	11.65	0.65	TOP DEC
Russell 2000 Growth TR USD*			4.39	9.97	24.40	7.64	13.98	7.82		
Cat: Morningstar Small Growth			4.33	10.15	23.13	6.68	12.79	7.03	1.28	

*Investment Policy Benchmark



Fund Performance Summary

As of 06/30/2017

Fund Benchmark Category	Asset Class	(%) of Plan	3 Month	YTD	1 Year	3 Years Annualized	5 Years Annualized	10 Years Annualized	Expense Ratio	SageView Ranking
Parametric Commodity Strategy Instl	Commodities Broad Basket	0.70%	-3.30	-2.23	-1.24	-11.69	-6.89	NA	0.65	TOP DEC
Bloomberg Commodity TR USD*			-3.00	-5.26	-6.50	-14.81	-9.25	-6.49		
Cat: Morningstar Commodities Broad Basket			-4.08	-6.04	-6.71	-14.90	-9.20	-7.09	1.25	
Dodge & Cox International Stock	Foreign Large Blend	2.04%	4.75	14.51	30.37	0.64	10.23	2.34	0.64	2 ND QUAR
MSCI ACWI Ex USA NR USD*			5.78	14.10	20.45	0.80	7.22	1.13		
Cat: Morningstar Foreign Large Blend			6.25	14.45	19.13	1.18	7.81	0.96	1.05	
iShares Currency Hedged MSCI EAFE ETF	Foreign Large Blend	1.23%	3.20	8.85	22.53	7.09	NA	NA	0.36	Pass
MSCI ACWI Ex USA NR USD*			5.78	14.10	20.45	0.80	7.22	1.13		
Cat: Morningstar Foreign Large Blend			6.25	14.45	19.13	1.18	7.81	0.96	1.05	
Nationwide Bailard Intl Eqs R6	Foreign Large Blend	3.74%	5.51	13.57	15.69	1.84	8.91	1.37	0.87	TOP QUAR
MSCI ACWI Ex USA NR USD*			5.78	14.10	20.45	0.80	7.22	1.13		
Cat: Morningstar Foreign Large Blend			6.25	14.45	19.13	1.18	7.81	0.96	1.05	
MFS International Growth I	Foreign Large Growth	2.12%	10.47	19.35	19.98	3.95	8.35	3.50	0.97	2 ND QUAR
MSCI ACWI Ex USA Growth NR USD*			7.56	17.38	17.38	2.55	8.04	1.89		
Cat: Morningstar Foreign Large Growth			7.98	17.93	17.80	2.58	8.61	1.91	1.22	
Hartford Schroders Emerging Mkts Eq Y	Diversified Emerging Mkts	2.07%	7.24	20.65	26.51	2.32	4.41	2.61	1.15	2 ND QUAR
MSCI EM NR USD*			6.27	18.43	23.75	1.07	3.96	1.91		
Cat: Morningstar Diversified Emerging Mkts			5.87	18.14	20.48	0.49	4.08	1.50	1.39	
AQR Equity Market Neutral I	Market Neutral	0.75%	0.25	1.09	6.72	NA	NA	NA	1.39	NA
BofAML US Treasury Bill 3 Mon TR USD*			0.20	0.31	0.49	0.23	0.17	0.58		
Cat: Morningstar Market Neutral			0.02	0.66	2.75	0.54	1.31	0.92	1.56	
Arbitrage I	Market Neutral	1.31%	1.27	2.35	3.85	2.54	2.01	2.90	1.25	2 ND QUAR
BofAML US Treasury Bill 3 Mon TR USD*			0.20	0.31	0.49	0.23	0.17	0.58		
Cat: Morningstar Market Neutral			0.02	0.66	2.75	0.54	1.31	0.92	1.56	

*Investment Policy Benchmark



Fund Performance Summary

As of 06/30/2017

Fund Benchmark Category	Asset Class	(%) of Plan	3 Month	YTD	1 Year	3 Years Annualized	5 Years Annualized	10 Years Annualized	Expense Ratio	SageView Ranking
iShares Gold Trust	Commodities Precious Metals	0.72%	-0.25	7.08	-6.13	-2.11	-5.15	6.41	0.25	NA
Morningstar Lng-Only Cmdty TR USD*			-5.01	-9.23	-10.96	-18.90	-10.29	-4.06		
Cat: Morningstar Commodities Precious Metals			-2.53	6.06	-4.83	-4.24	-6.29	4.15	0.75	
AQR Style Premia Alternative I	Multialternative	1.28%	0.20	1.31	1.24	6.28	NA	NA	1.60	TOP DEC
Wilshire Liquid Alternative TR USD*			0.66	2.08	3.55	0.12	1.88	1.06		
Cat: Morningstar Multialternative			0.63	2.31	3.36	0.63	3.02	1.33	1.82	
Blackstone Alternative Multi-Strategy I	Multialternative	1.29%	1.61	5.09	7.90	3.42	NA	NA	2.47	TOP DEC
Wilshire Liquid Alternative TR USD*			0.66	2.08	3.55	0.12	1.88	1.06		
Cat: Morningstar Multialternative			0.63	2.31	3.36	0.63	3.02	1.33	1.82	

*Investment Policy Benchmark

No representations or warranties are being made as to the tax effect, performance, past or future, or financial impact of this summary. This information is provided as an informal report; no warranties as to the accuracy or content are implied or expressed. The information above must be interpreted in the context of, and is qualified by, all the information contained in the prospectuses, where applicable, which have been or will be delivered to the appropriate investing parties prior to any offer being made. Note: Sector Weighting and/or Credit Analysis data reflect most current information available. securities offered through Cetera Advisor Networks, member SIPC. SageView is not affiliated with Cetera Advisor Networks. Fund returns shown are net of fund expenses and sales charges.



401(k) & 457 Plan Administration RFI Cost Summary

RFI Summary: 401(k) Plan Fee Proposals

El Toro Water District – 401(k) Plan

Total Plan Assets: \$19,577,499

	Revenue Requirement Assuming no Proprietary Funds in the Lineup	Revenue Requirement Assuming the use of Proprietary Funds		
		Use of Fixed Fund (Spread Product)	Use of Stable Value Fund	Target-Date Re-enrollment
PRUDENTIAL (Current)	0.10% (\$19,577)	-	-	-
PRUDENTIAL (Initial Proposal)	0.71% (\$139,000)	-	-	-
PRUDENTIAL (SageView Negotiation)	0.28% (\$54,817)	-	-	0.14% (\$27,408)
ICMA	0.08% (\$15,662)	-	0.06% (\$11,746)	-
Lincoln	0.18% (\$35,239)	-	0.13% (\$25,450)	-
MassMutual	0.12% (\$23,493)	-	-	-
Nationwide	-	0.12% ^{1,2} (\$23,915)	-	-
Voya	0.12% (\$23,493)	0.10% (\$19,577)	-	-

1. Nationwide's Fixed Fund is required to be used as the capital preservation option in the plan. They will not bid on the opportunity otherwise.
2. Nationwide charges \$20,000 annually (\$5,000 per portfolio) to move participants from one portfolio to the other based on age. This fee is included in the chart above.

RFI Summary: 457 Plan Fee Proposals

El Toro Water District – 457 Plan

Total Plan Assets: \$4,803,772

	Revenue Requirement Assuming no Proprietary Funds in the Lineup	Revenue Requirement Assuming the use of Proprietary Funds		
		Use of Fixed Fund (Spread Product)	Use of Stable Value Fund	Target-Date Re-enrollment
PRUDENTIAL (Current)	0.48% (\$23,058)	0.48% (\$23,058)	-	-
PRUDENTIAL (Initial Proposal)	0.71% (\$34,106)	0.71% (\$34,106)	-	-
PRUDENTIAL (SageView Negotiation)	0.28% (\$13,451)	0.28% (\$13,451)	-	0.14% (\$6,725)
ICMA	0.25% (\$12,009)	-	0.06% (\$2,882)	-
Lincoln	0.18% (\$8,647)	-	0.13% (\$6,245)	-
MassMutual	0.12% (\$5,765)	-	-	-
Nationwide	-	0.02% ¹ (\$961)	-	-
Voya	0.12% (\$5,764)	0.10% (\$4,803)	-	-

1. Nationwide's Fixed Fund is required to be used as the capital preservation option in the plan. They will not bid on the opportunity otherwise.

Important RFI Notes

	ICMA	LINCOLN	MASSMUTUAL	NATIONWIDE	VOYA
Will provider agree to annually moving participants from portfolio to portfolio based on age?	No; However, ICMA does offer a Custom Asset Allocation Service or Target-Date funds as an alternative ²	No; Lincoln offers Target-Date Funds as an alternative solution	No; MassMutual offers Target-Date Funds as an alternative solution	Yes; For \$20,000 annually (\$5,000 per portfolio)	Yes; No additional fee for this service
Does provider require asset allocation models to be unitized in order to move participants from one portfolio to another annually? ¹	No	N/A	N/A	No	No
Will provider bid on the plans without any proprietary funds being included in the fund lineup <i>for both plans</i> ?	Yes	Yes	Yes	No; The Nationwide fixed fund is required to be used as the capital preservation option in the 401(k) (replacing the capital preservation model) and 457 plans	Yes

1. Portfolios are not unitized today, however we wanted to be sure that each bidder did not require them to be, as additional costs would most likely apply.
2. The Custom Asset Allocation Service (non-unitized) does not currently support moving a participant from portfolio to portfolio based on age or glide path, however, ICMA-RC can make changes to the underlying funds and allocations of the portfolios on an annual or as needed basis to align the portfolios with the asset allocations desired by the plan sponsor or their designated investment adviser. Also note that the Custom Asset Allocation is a set of portfolio allocations and not a fund, therefore we cannot set the non-unitized portfolios as the Qualified Default Investment Alternative (QDIA) and enable age-based mapping.

457 Plan Investment Performance Summary

Asset Allocation by Fund

As of 06/30/2017

Fund	% of Plan Assets	Total Assets
Prudential Guaranteed Inc Fd	18.60%	\$880,482.58
Vanguard 500 Index Investor	13.32%	\$630,553.88
PruDC-Pru Ret Large Cap Gr/American Century SP	12.53%	\$593,237.04
PruDC-Pru Ret Core Plus Bond/PGIM Fund SP	11.89%	\$563,115.44
PruDC-Pru Ret Intl Blend/Wellington SP	10.36%	\$490,315.91
PruDC-Pru Ret Large Cap Val/Wellington SP	8.47%	\$401,049.10
Dreyfus Mid Cap Index Inv	7.50%	\$355,100.19
Small Cap Value / Kennedy Capital Fund	5.60%	\$264,920.12
Dreyfus Small Cap Stock Index Inv	3.13%	\$148,215.53
PruDC-Pru Ret Small Cap Growth/Brown SP	2.49%	\$117,722.60
PruGR-Pru Ret Real Estate/American Century SP	2.48%	\$117,350.43
PruDC-Pru Ret Mid Cap Value/Integrity SP	2.16%	\$102,428.27
PruDC-Pru Ret Mid Cap Gr/Waddell & Reed SP	1.38%	\$65,337.18
Prudential Day One IncomeFlex Target Balanced Fund	0.09%	\$4,456.63
Total Market Value:	100.00%	\$4,734,284.90



Fund Performance Summary

As of 06/30/2017

Fund Benchmark Category	Asset Class	(%) of Plan	3 Month	YTD	1 Year	3 Years Annualized	5 Years Annualized	10 Years Annualized	Expense Ratio	SageView Ranking
Prudential Guaranteed Inc Fd	Stable Value	18.60%	0.46	0.84	1.63	1.68	1.83	2.49	0.30	See Attached
Hueler Stable Value Index*			0.47	0.91	1.83	1.78	1.81	2.62		
Cat: Custom PeerGroup: Hueler Stable Value			0.47	0.91	1.83	1.78	1.81	2.62	NA	
PruDC-Pru Ret Core Plus Bond/PGIM Fund SP	Intermediate-Term Bond	11.89%	2.25	3.96	2.63	3.20	3.12	5.41	0.83	2 ND QUAR
BBgBarc US Agg Bond TR USD*			1.45	2.27	-0.31	2.48	2.21	4.48		
Cat: Morningstar Intermediate-Term Bond			1.49	2.57	0.94	2.22	2.45	4.30	0.77	
PruDC-Pru Ret Large Cap Val/Wellington SP	Large Value	8.47%	1.74	4.85	14.30	7.19	12.19	4.36	1.12	2 ND QUAR
Russell 1000 Value TR USD*			1.34	4.66	15.53	7.36	13.94	5.57		
Cat: Morningstar Large Value			1.78	5.55	16.49	6.40	12.64	5.20	1.02	
Vanguard 500 Index Investor	Large Blend	13.32%	3.05	9.26	17.74	9.46	14.46	7.06	0.14	Pass
S&P 500 TR USD*			3.09	9.34	17.90	9.61	14.63	7.18		
Cat: Morningstar Large Blend			2.92	8.65	17.17	7.60	13.35	6.20	0.95	
PruDC-Pru Ret Large Cap Gr/American Century SP	Large Growth	12.53%	5.13	15.55	21.12	9.55	13.22	6.94	1.12	3 RD QUAR
Russell 1000 Growth TR USD*			4.67	13.99	20.42	11.11	15.30	8.91		
Cat: Morningstar Large Growth			5.01	14.14	20.02	8.80	13.87	7.51	1.12	
PruDC-Pru Ret Mid Cap Value/Integrity SP	Mid-Cap Value	2.16%	0.17	4.06	16.54	5.79	14.64	6.52	1.16	2 ND QUAR
Russell Mid Cap Value TR USD*			1.37	5.18	15.93	7.46	15.14	7.23		
Cat: Morningstar Mid-Cap Value			1.03	4.58	17.26	5.74	13.37	6.17	1.12	
Dreyfus Mid Cap Index Inv	Mid-Cap Blend	7.50%	1.87	5.72	18.00	8.05	14.41	8.10	0.50	Pass
S&P MidCap 400 TR*			1.97	5.99	18.57	8.53	14.92	8.56		
Cat: Morningstar Mid-Cap Blend			1.92	6.22	17.35	5.51	12.98	6.12	1.07	
PruDC-Pru Ret Mid Cap Gr/Waddell & Reed SP	Mid-Cap Growth	1.38%	5.66	12.43	16.73	5.28	11.01	7.82	1.20	3 RD QUAR
Russell Mid Cap Growth TR USD*			4.21	11.40	17.05	7.83	14.19	7.87		
Cat: Morningstar Mid-Cap Growth			4.68	12.37	18.58	6.86	12.72	6.81	1.21	

*Investment Policy Benchmark



Fund Performance Summary

As of 06/30/2017

Fund Benchmark Category	Asset Class	(%) of Plan	3 Month	YTD	1 Year	3 Years Annualized	5 Years Annualized	10 Years Annualized	Expense Ratio	SageView Ranking
Small Cap Value / Kennedy Capital Fund	Small Value	5.60%	-0.30	2.54	23.49	5.90	15.36	8.88	1.15	TOP DEC
Russell 2000 Value TR USD*			0.67	0.54	24.86	7.02	13.39	5.92		
Cat: Morningstar Small Value			0.26	0.52	21.15	5.18	12.48	5.97	1.27	
Dreyfus Small Cap Stock Index Inv	Small Blend	3.13%	1.52	2.36	21.68	8.80	14.98	8.15	0.50	Pass
S&P SmallCap 600 TR USD*			1.71	2.79	22.47	9.32	15.47	8.44		
Cat: Morningstar Small Blend			1.53	3.24	20.96	5.71	12.76	6.12	1.17	
PruDC-Pru Ret Small Cap Growth/Brown SP	Small Growth	2.49%	4.33	9.43	15.91	1.34	7.45	NA	1.37	4TH QUAR
Russell 2000 Growth TR USD*			4.39	9.97	24.40	7.64	13.98	7.82		
Cat: Morningstar Small Growth			4.33	10.15	23.13	6.68	12.79	7.03	1.28	
PruGR-Pru Ret Real Estate/American Century SP	Real Estate	2.48%	1.42	1.64	-4.33	6.82	8.18	4.63	1.37	3RD QUAR
FTSE NAREIT Equity REITs TR USD*			1.52	2.70	-1.70	8.36	9.52	6.00		
Cat: Morningstar Real Estate			1.85	2.89	-0.61	7.25	8.51	5.19	1.16	
PruDC-Pru Ret Intl Blend/Wellington SP	Foreign Large Blend	10.36%	6.20	14.05	18.52	2.40	8.24	-0.50	1.36	2ND QUAR
MSCI ACWI Ex USA NR USD*			5.78	14.10	20.45	0.80	7.22	1.13		
Cat: Morningstar Foreign Large Blend			6.25	14.45	19.13	1.18	7.81	0.96	1.05	
Prudential Day One IncomeFlex Target Balanced Fund	Target-Date Retirement	0.09%	1.37	4.36	7.42	2.52	5.56	NA	1.96	NA
S&P Target Date Retirement Income TR USD*			1.79	4.03	4.95	3.20	4.76	3.93		
Cat: Morningstar Target-Date Retirement			1.80	4.44	5.70	2.65	4.38	3.67	0.81	

*Investment Policy Benchmark

