

Meeting Minutes – 457 Deferred Compensation Committee



Date: Thursday, February 2, 2023

Time: 1 p.m. – 3 p.m.

Location: Human Resources Training Room East

Status: A – Attended | X – Did Not Attend

Status	Invitees	Title
A	Graciela Gutierrez	Chair
X	Troy Kidd	Vice-Chair
A	Brenda Sallade	Secretary
A	Sheri Waters	Human Resources Director
X	Eric Schroth	Member
A	Vincent Galindo	Hyas Group
A	Leanne Luttgies	Nationwide – Retirement Specialist
A	Greg Sabin	Nationwide – Investment Advisor Representative
A	Rae Forrester	Human Resources Benefits Coordinator
X	Supervisor Doug Teeter	Board of Supervisors, District 5
A	Dave Houser	Butte County Retiree

Call to Order

Graciela called the meeting to order at 1:00 pm.

Roll Call

There was a welcome and introductions. Graciela took roll call, and noted there was a quorum.

Approval of Minutes

MOTION: Motion to approve the minutes from November 5, 2022 as written by Sheri and second by Brenda.

VOTE: Motion passes unanimously.

Business Meeting Agenda

1. There were no changes or additions to the agenda.

Public Comments

1. There were questions regarding commodities, precious metal, mining, etc. and if these could be added into the Deferred Compensation options.
 - Hyas will research the available types of options and will review the information with the Committee during the next quarterly meeting on Tuesday, May 2, 2023.
 - Hyas will also bring back information on how other counties are handling this and their experiences with these options.

NATIONWIDE

Fourth Quarter Plan Health Report

1. The Fourth Quarter 2022 Plan Health Dashboard Report was reviewed showing the current plan value as of December 31, 2022 was \$64,244,517 (loans and self-directed assets are excluded). The total participant account balance was \$66,268,592 which includes self-directed accounts and loans.
2. The total participant count is 1,384 and of those, 1,023 have online accounts. 794 participants have a retirement goal and 40% of those are "on track" for retirement. The retirement ready decreased by 4% due to current inflation. There were 28 new enrollments in the quarter.
3. The average participant account balance was \$46,914.
4. There are 769 participants actively deferring, 506 who are inactive and 109 who are in payout mode. There was discussion as to why only 769 participants are actively deferring when there are over 2,000 employees. Nationwide and the Committee would like to see this number increase.
5. Participants in the ProAccount increased by eight (8) this quarter. There are now 305 people with ProAccounts. The total balance of these accounts is \$7,858,305 with an average balance of \$25,765.
6. There were 79.9% of plan participants with five or more asset classes which is good.
7. There were six (6) new general purpose loans and one (1) new defaulted loan for a total of 16.
8. It is important to note that the information is accurate as of the date last information received as Nationwide may not have received the most current information at the time of creating the report.

2023 Outreach and Education Plan

1. Butte County had an engaged population in 2022 with appointments getting consistently filled.
2. There were more than 30 contacts each month.
3. There was not much participation in the educational webinars provided by Nationwide.
4. Leanne would like to have more locations available to meet with people.
 - Rae will provide a contact list for Department contacts.
 - Graciela will set up a time where Leanne can attend the Department Head meeting.

HYAS GROUP

Fourth Quarter 2022 Performance Report

Market Commentary

1. There have been extreme fluctuations in the economy during the fourth quarter
2. The Gross Domestic Product was strong for the fourth quarter at 2.9%.
3. The national unemployment rate is holding at 3.5% with Butte County's average rising to 4.0%.
4. The Consumer Price Index (Inflation) was at a 40-year high and is currently at 6.5% and the Fed is expected to raise interest rates again in March 2023.
5. The US Treasury Yield Curve remains inverted and a shallow recession across the landscape is predicted.
6. All major asset classes were weak again for the year. The Bloomberg U.S. Aggregate (which is a bond market proxy) was down 13.01% for the year and ended the quarter at 1.87% for the quarter. The US stock market (the S&P 500) was down 18.11% for the year but ended the quarter at 7.56%, while the MSCI ACWI ex-US was down 16.0% for the year but ended the quarter at 14.28%.

Current Fund Lineup Overview

1. There was an approximate \$12M loss during the last year but in reviewing the plan, there is more coming into the plan than leaving, which shows we still have a healthy plan.
2. The fixed account now has 15.0% (\$9,930,982) of the plan assets.
3. There was a \$3,601,105 market gain this quarter.
4. The beginning value of the 3121 Plan was \$2,101,466. There was a net cash flow of \$28,515 and a market gain of \$10,449, leaving the plan balance at the end of the fourth quarter at \$2,140,430.

On-Watch Funds

1. There are currently two funds on watch:
 - Vanguard US Growth Adm Fund; and
 - T. Rowe Price Instl Mid-Cap Equity Growth Fund.
2. The Vanguard US Growth Adm Fund is recovering but the recommendation is to keep it on watch. The T. Rowe Price Instl Mid-Cap Equity Growth Fund is doing better and the recommendation is to continue this fund on watch.
3. No action was taken and both funds remain on watch.

Fee and Revenue Analysis

1. The Fee and Revenue Analysis was reviewed.
2. The total approximate revenue received within the 457 Plan for the fourth quarter was estimated at \$24,486 with \$10,440 going to Nationwide and \$12,046 going to the committee so it can pay expenses such as fiduciary insurance and consultant fees, etc.
3. Approximately \$749 for the quarter went to the committee from the 3121 Plan to assist in paying expenses.

Excess Revenue Ledger Reconciliation

1. The Excess Revenue Ledger was reviewed which is showing the Deferred Compensation Committee is now self-sustaining.

Legal and Regulatory Updates

1. Secure Act 2.0 was passed and signed into law on December 29, 2022.
2. Some of the key changes that require immediate attention and/or potential changes are:
 - The first of the month rule can be eliminated so participants do not have to wait until the first of the following month to begin deferring.
 - This change is optional and if implemented, County Administration and Nationwide will need to know as soon as possible.
 - Plan documents don't have to change until 2027.
 - There is a change in how catch-up will be handled for higher compensated (over \$145K annually) participants.
 - These participants will have to catch-up with a Roth (after-tax) contribution.
 - Butte is ahead as the Roth feature is already being offered.
 - This is a mandatory change.
 - Withdrawal rules for public safety to pay for insurance.
 - RMD is currently 73 and will be 75 in 2033.
 - The 50% penalty on non-taken RMDs is now 25%.

BUTTE COUNTY

County Discussion

1. The 2023 NAGDCA conference will be held in Seattle, Washington and 2024 will be in Phoenix, Arizona. Committee attendance will be determined closer to the conference date.

Action Items

1. Nationwide will provide Secure Act 2.0 information by the next quarterly meeting on May 2, 2023.
 - They will break down changes by effective date and optional vs. mandatory on or before the next quarterly meeting so any action items can be placed on the agenda.
2. Hyas will bring information regarding commodities, precious metals, etc. and experiences of other entities.
3. Consultant Contract to be reviewed and budgets for Deferred Compensation cost center.

Future Meeting Dates

- The Committee will meet on the first Tuesday of May, 1-3pm, in the HR Training Room, East.
- The Committee will meet quarterly on the first Thursday of August and November, 1-3pm, in the HR Training Room, East.

Future Meeting Topics

- Discuss status of de minimis distributions (Nationwide) – all agendas
- Plan of Action for 3121 Accounts – May 2023
- Review MVA absorption annual accounting (Hyas Group) – May 2023
- Discuss missing participants (Nationwide) – May 2023
- Discuss the possibility of adding the 2070 target date vintage (Hyas) – TBD

Meeting Adjourned

The meeting was adjourned at 2:40 pm