

## Meeting Minutes – 457 Deferred Compensation Committee



**Date:** Tuesday, May 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
A	Troy Kidd	Vice-Chair
A	Brenda Sallade	Secretary
A	Sheri Waters	Human Resources Director
A	Eric Schroth	Member
A	Vincent Galindo	Hyas Group
A	Leanne Luttgies	Nationwide – Retirement Specialist
X	Greg Sabin	Nationwide – Investment Advisor Representative
A	Rae Forrester	Human Resources Benefits Coordinator
X	Supervisor Doug Teeter	Board of Supervisors, District 5

### Call to Order

Graciela called the meeting to order at 1:03 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 February 2, 2023 as written by Sheri and second by Troy.

**VOTE:** Motion passes unanimously.

### Business Meeting Agenda

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

### Public Comments

1. There were no public comments.

## **NATIONWIDE**

### **First Quarter Plan Health Report**

1. The First Quarter 2023 Plan Health Dashboard Report was reviewed showing the current plan value as of March 31, 2023 was \$67,462,908 (loans and self-directed assets are excluded). The total participant account balance was \$69,672,569 which includes self-directed accounts and loans.
2. The total participant count is 1,388 and of those, 1,044 have online accounts. 817 participants have a retirement goal and 58% of those are "on track" for retirement. There was a total of 22 new enrollments in the quarter with 12 of those being online enrollments. Nationwide and the Committee would like to see the percentage of those "on track" for retirement increase.
3. The average participant account balance was \$49,134.
4. There are 770 participants actively deferring, 513 who are inactive and 105 who are in payout mode. Nationwide and the Committee would like to see this number increase.
5. Participants in the ProAccount increased by six (6) this quarter. There are now 311 people with a ProAccount. The total balance of these accounts is \$8,457,108 with an average balance of \$27,193.
6. There were 80.2% of plan participants with five or more asset classes which is good.
7. There are currently 88 general purpose loans, six (6) primary residence loans, and one (1) new defaulted loan for a total of 17 defaults. The total of all loan balances, including defaults, was \$734,750.26.
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.

### **De Minimis Distributions**

1. This topic was tabled to the next meeting as there were no updates available.

### **Missing Participants Discussion**

1. There was discussion on missing participants for the 3121 plan. The goal is for HR Partners to follow through with paperwork in a more timely manner so Nationwide is not sending money back to employees.
2. Nationwide will work with Kim Lewis on the comparison of information within Butte County and information within Nationwide.
3. The Committee would like Nationwide to notify the County when money is needing to be returned prior to sending the money back to the employee.

## **HYAS GROUP**

### **First Quarter 2023 Performance Report**

#### **Market Commentary**

1. There are concerns regarding the United States defaulting for the first time in history.
2. The Gross Domestic Product expanded by 1.1% in the first quarter.
3. The national unemployment rate is holding at 3.5% with Butte County's average rising to 5.6%.
4. The Consumer Price Index (Inflation) target was 2.0% and is currently at 5.0%. There are tighter lending practices due to failed banks and there is an 83% chance the Federal Reserve will raise interest rates again.
5. For the first quarter, the Bloomberg U.S. Aggregate (which is a bond market proxy) rallied to 2.96%, US TIPS (Federal Government Bonds) was up 3.34%, and the US High Yield was up 3.57%.

6. The US stock market (the S&P 500) ended the quarter at 7.50%, while the MSCI ACWI ex-US ended the quarter at 6.87%.

### **Current Fund Lineup Overview**

1. The beginning value of the 457 Plan was \$64,244,517. There was a net cash flow of (\$413,775) and a market gain of \$3,632,166, leaving the plan balance at the end of the first quarter at \$67,462,908.
2. The fixed account now has 14.1% (\$9,811,135) of the plan assets.
3. The beginning value of the 3121 Plan was \$2,140,430. There was a net cash flow of \$51 and a market gain of \$10,346, leaving the plan balance at the end of the first quarter at \$2,150,827.

### **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 \$23,612 with \$10,963 going to Nationwide and \$12,649 going to the committee so it can pay expenses such as fiduciary insurance and consultant fees, etc.
3. Approximately \$753 for the quarter went to the committee from the 3121 Plan to assist in paying expenses.

### **Market Value Adjustment (MVA) Accounting**

1. The MVA was discussed. We are approximately 3% behind where we should be at this point but still have six (6) years to catch up in the \$145,000 absorption.
2. The MVA will continue to be monitored quarterly.

### **Inflationary Hedged Product Search Presentation**

1. Education to the Committee was provided regarding Inflationary Hedged Products, which are things you can touch, such as commodities, real estate, etc.
2. Five (5) funds were presented to the Committee.
3. It was determined that being diversified in the stock market is the best route for the plan and no action as taken.

### **SECURE Act 2.0**

1. Secure Act 2.0 provisions were reviewed and a handout was provided showing the timeframes to roll out the requirements.
2. The Plan Document will need to be updated by 2027.
3. Mandatory Provisions:
  - 306 – Elimination of the First Day of the Month Rule

- Nationwide can do this now if the Butte County Administrative process is in place.
  - Hyas will work with Nationwide to review the Plan Document for needed updates.
  - This will be an Action Item for the August meeting.
  - 603 – After-tax Catch-up Contributions
    - This requires that all catch -up contributions be made as Roth contributions for participants whose prior year’s wages were \$145,000 or more.
    - NAGDCA is seeking clarification on this provision.
    - Sheri will be attending NAGDCA this year and will ask about the County’s role.
4. Optional Provisions:
- 109 – Higher Catch-up Limits
    - Increases to \$10,000 or 150% of the catch-up amount in 2024 for participants ages 60-63.
    - This becomes effective 1/1/2025.
  - 312 – Self-certifying Hardships
    - Nationwide does not have a self-certification form yet.
    - This topic will be placed on the agenda for the next meeting.

**Plan Exposure to Failed Regional Banks**

1. The impact to the Plan was discussed.
2. It was determined that there was combined exposure of 0.04% which resulted in a \$24,985 loss.

**Legal and Regulatory Updates**

1. There were no further updates for this meeting.
2. This topic will remain as a standing item on the agenda.

**Questions / Open Discussion**

1. Graciela, Arlene, and Troy will be attending the Government Finance Officers Association (GFOA) Annual Conference in Portland, Oregon next month.

**BUTTE COUNTY**

**Administrative Account Ledger**

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

**Plan of Action for 3121 Accounts**

1. This topic was discussed in the Missing Participants Discussion section above.

**Consultant Contract Review**

1. Troy presented the Hyas Consultant Contract and budget with the Committee.

**MOTION:** Motion to present the contract to the Board of Supervisors on June 13, 2023 by Eric and second by Sheri.

**VOTE:** Motion passes unanimously.

**Future Meeting Dates**

- 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
- Discuss the possibility of adding the 2070 target date vintage (Hyas) – TBD
- MVA Accounting (Hyas Group) – all agendas
- SECURE Act 2.0
- Missing Participant Update
- Consultant Contract Update

**Meeting Adjourned**

The meeting was adjourned at 2:44 pm