

Meeting Minutes – 457 Deferred Compensation Committee



Date: Thursday, February 3, 2022

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
X	Brenda Sallade	Secretary
A	Sheri Waters	Human Resources Director
X	Eric Schroth	Member
A	Vincent Galindo	Hyas Group
X	Leanne Luttgies	Nationwide – Retirement Specialist
A	Jake Sours	Nationwide – Investment Advisor Representative
A	Rae Forrester	Human Resources Benefits Coordinator
X	Supervisor Doug Teeter	Board of Supervisors, District 5

Roll Call

Graciela took roll call and it was noted that Jake was participating telephonically.

Approval of Minutes

MOTION: Motion to approve the minutes from November 4, 2021 by Troy and second by Sheri.

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 received for this meeting.
2. However, Graciela had one person from the public approach her in her office, but that issue was resolved with no further action needed.

NATIONWIDE

Fourth Quarter Plan Health Report

1. The Fourth Quarter 2021 Plan Health Dashboard Report was reviewed showing the current plan value as of December 31, 2021 was \$76,339,049 which was up an impressive \$3,401,822 from the third quarter. The total participant account balance was \$78,624,740 which includes self-directed accounts and loans.

2. The total participant count is 1,338 and of those, 923 have online accounts. 623 participants have a retirement goal and 63% of those are “on track” for retirement. There were 94 new enrollments in 2021 (there were 64 in the year prior, so this is an increase of 30).
3. There were over \$4.2 million in total deferrals for the year which compares to \$3 million in the prior year.
4. All of the other trends saw continued growth and exhibited a positive trend.
5. The average participant account balance was \$57,055 with last year’s at approximately \$52,000.
6. In discussing participant data (as well as the document Leanne sent), the Committee requested Nationwide schedule retirement planning workshops but break them up into age groups (newly hired, mid-career, and pre-retiree). For the younger demographic, we need to impart the wisdom of knowing sooner and starting early.
7. There are 778 participants actively deferring, 466 who are inactive and 94 who are in payout mode.
8. There are currently 267 participants with a ProAccount. The total balance of these accounts is \$8,226,705 with an average balance of \$30,812.
9. There were 80% of plan participants with five or more asset classes which is good.
10. When Nationwide covered plan assets and money source, Graciela mentioned rollouts and conversions, especially as it pertains to the Roth feature. Jake will confirm if the Plan allows for in-plan Roth conversions. Graciela stressed that all facets of this should be understood by Nationwide, while Rae stressed that Nationwide check on any restrictions, especially around age of the plan participant.
11. 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.

Plan to Plan Transfer from 3121 to 457

1. Rae asked about the status of the de minimis distributions and wanted an update after giving Nationwide the two spreadsheets.
2. The action item was that Nationwide would follow up with everyone on the two lists.
3. It was decided that Jake will follow up with Leanne on the status of reaching out to everyone on the two lists and that we will add this topic to all future agendas.

Participant Education

1. Leanne has been busy with enrolling new participants (a few have been with the County for 10 years and are finally signing up) and payouts (especially due to COVID).
2. It was noted that the new scheduling link for the education sessions was appreciated.
3. There have been a lot of webinars for the northern California plans.
4. Leanne is following up with new employees after orientation and 30-40% are responding (with many enrolling in the plan).

Plan Sponsor Enhancements

1. There was a new update in December to the plan sponsor website. The County can now go into the system to change employee data and status (terminated, etc.).
2. It was noted that My Interactive Retirement Planner is coming. This is a new tab and not replacing anything.
3. It looks at different sources of income and the tax type of retirement accounts.
4. Since this is new and much more detailed, Rae asked for a session on this new feature (perhaps add this to the other existing or new session(s)).

HYAS GROUP

Fourth Quarter 2021 Performance Report

Market Commentary

1. The national unemployment rate is down to 3.9% with Butte County's average at 4.8%.
2. The Headline Consumer Price Index (Inflation) was at 7.0% (the highest rate since 1982) and the Core Consumer Price Index was at 5.5% (the highest since 1991). The high inflation numbers are generally a threat to economic recovery.
3. The stock market performed well in 2021 with S&P 500 up 11% for the fourth quarter and 29% for the year. The market was negative 4.5% year to date as of February 2, 2022.
4. The MSCI ACWI ex-US was at 2% for the fourth quarter and 8% for the year. As of yesterday, the index was off 2.7% year to date.

Current Fund Lineup Overview

1. The 457 has seen remarkable growth since 2019. As noted prior, there were over \$78 million in the plan. At the end of 2019, there was \$57 million in assets.
2. The fixed account now has 12% (\$9.3 million) of the plan assets.
3. There was a \$3 million market gain this quarter and \$8.3 million for the year.
4. The average account balance for the 457 plan is \$57,055 and for the 3121 plan is \$2,254.

On-Watch Funds

1. There are currently two funds on watch:
 - T. Rowe Price Instl Mid-Cap Equity Growth Fund
 - DFA US Small Cap Fund
2. The T. Rowe Price Instl Mid-Cap Equity Growth Fund has struggled in the past due to its core tilt, its overweight to cash (4%) and its underweight to technology and communication stocks. It was recommended we keep the fund in the plan and on watch.
3. The DFA US Small Cap Fund has recovered significantly and was up 31% for the year (and in the 10th percentile). It was recommended that this fund be taken off of watch status.
4. The DFA US Large Cap Value Fund has also struggled due to its deep value strategy and focus on smaller cap names (not to mention its avoidance of utility and real estate stocks). The recommendation was to place this fund on watch status.
5. Regarding the watch process and length of time, the Committee asked Hyas Group to review the watch process within the Investment Policy Statement.

MOTION: Motion to add the DFA US Large Cap Value Fund to the watch list by Graciela and second by Troy.

VOTE: Motion passes unanimously.

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 \$26,719 with \$12,405 going to Nationwide and \$14,314 going to the committee so it can pay expenses such as fiduciary insurance and consultant fees, etc. the 3121 plan kicked off \$710 for the quarter.

Open Discussion

1. Graciela asked about the fiduciary risk regarding managed accounts. As part of this discussion, it was asked if Nationwide told participants (especially pre-retirees) of outlook, risk profile, and/or return potential within the different ProAccount portfolios. It was noted that this topic should be added to the new or existing education sessions noted above.
2. Rae brought up the OBRA/3121 plan and Millennium Trust Company with regards to rollover IRAs. Graciela mentioned the two spreadsheets. Although all plan participants should be contacted by Leanne, priority should be given if any participant actively reaches out to either county staff and/or Nationwide.

BUTTE COUNTY

1. The Committee discussed the excess revenue ledger.
2. It was noted that the numbers are tracking nicely with the conservative budget, and the activity is staying pretty steady.
3. The Committee asked Nationwide to confirm addresses. Jake said Kim already did this so all is good.

Action Items

1. Hyas Group will finalize the document library for the Committee.
2. Nationwide to schedule retirement planning workshops but break them up into age groups.
3. Nationwide to confirm if the Plan allows for in-plan Roth conversions. Also, all facets of this should be understood by Nationwide, while Nationwide needs to check on any restrictions, especially around age of the plan participant.
4. Jake will follow up with Leanne on the status of reaching out to everyone on the two de minimis distribution lists.
5. Nationwide to add a session on My Interactive Retirement Planner (or add it to another session).
6. Regarding the watch process and length of time, the Committee asked Hyas Group to review the watch process within the Investment Policy Statement at the next meeting.
7. Consider adding the features (as well as the outlook, risk profile, and/or return potential within the different ProAccount portfolios) to future education sessions.
8. Regarding the OBRA/3121 plan and Millennium Trust Company, although all plan participants should be contacted by Leanne, priority should be given if any participant actively reaches out to either county staff and/or Nationwide.

Future Meeting Dates

- Thursday, May 5, 2022, 1-3pm, HR Training Room, East (and August 4 and November 3)
- Hyas will set recurring meetings for the first Thursday in the second month after the quarter end and will send meeting invitations.
- The meetings will be held in-person in the HR Training Room East.

Future Meeting Topics

- Discuss status of de minimis distributions (Nationwide) – all agendas
- Review MVA absorption annual accounting (Hyas Group) – May 2022
- Discuss missing participants (Nationwide) – May 2022
- Review the watch process within the Investment Policy Statement (Hyas) – May 2022

Meeting Adjourned