

Meeting Minutes – 457 Deferred Compensation Committee



Date: Thursday, May 5, 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
A	Eric Schroth	Member
A	Vincent Galindo	Hyas Group
A	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

Call to Order

Graciela called the meeting to order at 1:05pm.

Roll Call

There was a welcome and introductions. Graciela took roll call, and it was noted that it was good to see everyone in-person.

Approval of Minutes

MOTION: Motion to approve the minutes from February 3, 2022 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.

NATIONWIDE

First Quarter Plan Health Report

1. The First Quarter 2022 Plan Health Dashboard Report was reviewed showing the current plan value as of March 31, 2022 was \$71,880,891 (loans and self-directed assets are excluded). The total participant account balance was \$74,156,096 which includes self-directed accounts and loans.

2. The total participant count is 1,340 and of those, 960 have online accounts. 658 participants have a retirement goal and 43% of those are “on track” for retirement. There were 21 new enrollments in the quarter.
3. The average participant account balance was \$54,035.
4. Leanne mentioned that although the number of rollouts remained constant, the dollar amounts were much smaller.
5. There are 778 participants actively deferring, 466 who are inactive and 96 who are in payout mode.
6. There are currently 276 participants with a ProAccount. The total balance of these accounts is \$8,179,989 with an average balance of \$29,638.
7. There were 80% of plan participants with five or more asset classes which is good.
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 Distribution

1. In discussing the de minimis distributions and the transfers from the extra help plan to the 457 plan, Jake said there was a lot of clean up done recently as evidenced by the net reduction of 300 accounts in the extra help plan.
2. Leanne stated that emailed everyone (190 names) from the list she received. She sorted the list with participants still employed by the county at the top and prioritized those still at Butte. She has made contact with roughly 40% of the people on the list. Some people have made appointments with her while some do not understand. Half a dozen accounts have rolled over as some employees go back to their offices and share the information with other employees.
3. Graciela asked if new employees are asked at new employee orientation if they are old part time employees (and perhaps they were part of the extra help plan), and Rae mentioned the gap will close due to monthly meetings with union representatives. Graciela stressed the importance of calling the OBRA, part-time, 3121 plan the same thing always: the extra help plan.
4. Leanne said she is doing in-person meetings and they are full, and retirements seem to be slowing. Leanne thanked the County for mentioning the ability to rollover accruals.

In Plan Roth Conversion

1. Jake confirmed the in-plan Roth conversions are set up.

Participant Education

1. In terms of participant education, a new web series was developed after taking feedback from the old series into account. The slight adjustment has been that these are no longer targeted by age, but rather by career stage and lifecycle.
2. Leanne stated she had good attendance at the webinars, and she can do additional ones (virtual and/or in-person). Rae mentioned some of the information is not being retained as many employees are feeling overwhelmed. She said they are moving more towards virtual education (brainsharks) for all employees, not just new. Rae asked Leanne for a Nationwide portion for a brainshark. Rae also suggested having a cafeteria-style library for a la carte topics so employees can pick and choose (do not need to hear everything). Rae also mentioned the mid-afternoon Zoom sessions are much better attended with better participation than the lunch time meetings.

Missing Participants

1. In terms of missing participants, Jake provided a deep dive with an overview of finding beneficiaries. Like ‘missing’ participants, Nationwide notifies the beneficiary with both a letter and a phone call (they use a top database for contact information if none is provided). They do this four

times. After four rounds, if there is no response, Nationwide passes the case to a new Nationwide representative to re-look at the file. At that point, Nationwide will mark it as abandoned and will lay dormant for three years with a report sent annually. After that, they will escheat it to the state. If no beneficiary is on file, Nationwide will go to the County and/or old record keeper.

HYAS GROUP

First Quarter 2022 Performance Report

Market Commentary

1. The national unemployment rate is down to 3.6% with Butte County's average at 4.4%.
2. The Headline Consumer Price Index (Inflation) was at 8.5% (the highest rate since the 80s) and the Core Consumer Price Index was at 6.3% (the highest since the 80s). The high inflation numbers are generally a threat to economic recovery.
3. Generally, all three major asset classes were very weak for the quarter and year-to-date. The Bloomberg Aggregate (which is a bond market proxy) was down almost 6% for the quarter. The US stock market (the S&P 500) was down 4.6%, while the MSCI ACWI ex-US was off 5.4%.

Current Fund Lineup Overview

1. Despite the weak first quarter, the 457 has seen remarkable growth since 2019. As noted prior, there were over \$78 million in the plan at the end of 2021. At the end of 2019, there was \$57 million in assets. At the end of the period, the plan had just over \$74 million.
2. The fixed account now has 12.7% (\$9.4 million) of the plan assets.
3. There was a \$4.6 million market loss this quarter and \$8.3 million for last year.

On-Watch Funds

1. There are currently three funds on watch:
 - DFA US Large Cap Value Fund;
 - T. Rowe Price Instl Mid-Cap Equity Growth Fund; and
 - DFA US Small Cap Fund.
2. 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 from Hyas Group is to leave this fund on watch status and leave it in the plan.
3. 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, energy, and communication stocks. It was recommended we keep the fund in the plan and on watch.
4. 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.
5. Regarding the watch process and length of time, the Hyas Group reviewed the watch process within the Investment Policy Statement.

MOTION: Motion to remove the DFA US Small Cap Fund from the watch list by Eric 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 first quarter was \$25,000 with \$12,000 going to Nationwide and \$13,000 going to the committee so it can pay expenses such as fiduciary insurance and consultant fees, etc. the 3121 plan kicked off approximately \$700 for the quarter.

MVA Absorption Annual Accounting

1. We are currently in year four of a ten-year contract. Vincent reviewed this annual accounting after explaining what the MVA absorption is. The total MVA was roughly \$150,000 at the time of transition. The General Account crediting rate was reduced 0.10% annually to make up for this at approximately \$13,000 annually. General Account assets are off by roughly \$10,000 but total assets are higher than expected. Currently we are roughly \$15,000 short.

Open Discussion

1. Vincent mentioned the addition of the 2070 vintage of the target date funds. After discussion, the Committee found little interest to add this at this time. They may add it to a future item down the road, but there was little desire to change the plan at this time.
2. Vincent passed out the two plan document libraries. Since Branda was not in attendance, Hyas may email the documents.

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.

Action Items

1. It is important to be consistent in calling the OBRA, the part-time, and the 3121 plan the same thing: the extra help plan.
2. Nationwide will provide Rae a portion for a brainsark.
3. Rae also suggested having a cafeteria-style library for a la carte topics so employees can pick and choose (do not need to hear everything)
4. Hyas Group will ask if an electronic version of the document library for the Committee is needed.

Future Meeting Dates

- Thursday, August 4, 2022, 1-3pm, in-person in the HR Training Room, East and November 3, 2022.

Future Meeting Topics

- Discuss status of de minimis distributions (Nationwide) – all agendas
- 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 2:10pm