

Meeting Minutes – 457 Deferred Compensation Committee



Date: Thursday, August 3, 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
A	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
A	Supervisor Doug Teeter	Board of Supervisors, District 5

Call to Order

001Graciela 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 May 2, 2023 as written by Sheri and second by Eric.

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.

BUTTE COUNTY

Administrative Account Ledger

1. Historically, the Deferred Compensation Committee was funded using General Fund monies. In 2019, an accounting was completed and a goal was set that this Committee should be self-sustaining. The Committee started with a \$51,533.00 deficit in 2019.
2. The Account Revenue Ledger was reviewed which shows the Deferred Compensation Committee is not only self-sustaining, but has repaid the deficit in full as of July 25, 2023.



NATIONWIDE

Second Quarter Plan Health Report

1. The Second Quarter 2023 Plan Health Dashboard Report was reviewed showing the current plan value as of June 30, 2023 was \$69,462,908 (loans and self-directed assets are excluded). The total participant account balance was \$72,023,833 which includes self-directed accounts and loans.
2. The total participant count is 1,410 and of those, 1,068 have online accounts. 852 participants have a retirement goal and 61% of those are “on track” for retirement. There was a total of 37 new enrollments in the quarter.
3. There was conversation regarding the potential need to provide educational outreach to participants on how to see granular detail of their personal accounts.
4. The average participant account balance was \$49,885.
5. There are 791 participants actively deferring, 517 who are inactive and 102 who are in payout mode. Nationwide and the Committee would like to see the actively deferring numbers increase.
6. The average contribution per pay period is \$160.
7. Participants in the ProAccount increased by thirteen (13) this quarter. There are now 324 people with a ProAccount. The total balance of these accounts is \$9,098,763 with an average balance of \$28,083.
8. There were 80.4% of plan participants with five or more asset classes which is good.
9. There are currently 91 general purpose loans, six (6) primary residence loans, and two (2) new defaulted loan for a total of 19 defaults. The total of all loan balances, including defaults, was \$776,359.26.
10. 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.
11. The Committee requested data on fixed assets. They would like to see the demographics by age.
12. The Committee also let Nationwide know that with open enrollment coming, certain groups will have a decrease in medical insurance costs so the contributions could see an increase with the correct targeting and marketing.

HYAS GROUP

Second Quarter 2023 Performance Report

Market Commentary

1. The Gross Domestic Product had a growth target of 2-3% and ended the second quarter at 2.4%.
2. The national unemployment rate was 3.6% with Butte County’s average being 5.4%.
3. The Consumer Price Index (Inflation) was down from 5.0% to 3.0%. There is hope the rate increases may be behind us with a possibility of a reduction in December.
4. For the second quarter, the Bloomberg U.S. Aggregate (which is a bond market proxy) was down 0.84% with a year to date(YTD) of 2.09%, US TIPS (Federal Government Bonds) was down to 1.42% and has with YTD of 1.87%, and the US High Yield was up 1.75% with YTD of 5.38%.
5. The US stock market (the S&P 500) ended the quarter at 8.74%, while the MSCI ACWI ex-US ended the quarter at 2.44%.

Current Fund Lineup Overview

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1. The beginning value of the 457 Plan was \$67,462,908. There was a net cash flow of (\$995,997) and a market gain of \$3,094,809, leaving the plan balance at the end of the second quarter at \$69,561,721.
2. There was an increase in the negative cash flow from the plan due to a couple retirees taking large sums out this quarter.
3. Nationwide will provide a “benefit to staying in the plan” brochure for Human Resources to provide to retirees.
4. The fixed account now has 20.91% (\$14,546,371) of the plan assets.
5. The beginning value of the 3121 Plan was \$2,150,827. There was a net cash flow of (\$19,880) and a market gain of \$11,077, leaving the plan balance at the end of the first quarter at \$2,142,024.

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 has made a good recovery but the recommendation is to keep it on watch for one more quarter.
The T. Rowe Price Instl Mid-Cap Equity Growth Fund is no in the 17th percentile and while doing better, the recommendation is to continue this fund on watch for one more quarter.
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 second quarter was estimated at \$24,347 with \$11,304 going to Nationwide and \$13,043 going to the committee so it can pay expenses such as fiduciary insurance and consultant fees, etc.
3. Approximately \$750 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. There is an approximate 4.25% shortfall (\$3,000) from where it should be at this point but there is still six (6) years to catch up on the \$145,000 absorption.
2. The MVA will continue to be monitored quarterly.

Investment Policy Statement Review and Adoption

1. The Investment Policy suggested changes were reviewed. The recommended changes included:
 - Date on cover page to change from August 2022 to August 2023
 - The words “actively managed” were stricken from the Total Return Bond section on page 6
 - The date on the signature page was changed from August 4, 2022 to August 3, 2023

MOTION: Motion to approve the recommended changes by Brenda and second by Eric.

VOTE: Motion passes unanimously.

Legal and Regulatory Updates

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1. Secure Act 2.0 mandatory provisions were reviewed.
2. Mandatory Provisions:
 - 306 – Elimination of the First Day of the Month Rule
 - Nationwide will be updating their systems by the end of August.
 - Hyas will work with Nationwide to review the Plan Document for any necessary updates.
 - This will be agendaized as an Action Item for the November 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.
 - There has still been no guidance on this requirement in determining whose role it would be to determine income.
 - A simplified document to all employees over 50 years and making more than \$145,000 annually was discussed to educate this population.
 - Nationwide is updating their system to prepare for this provision.
 - This will be agendaized as an Action Item for the November meeting.

Questions / Open Discussion

1. Eric Schroth announced he will be retiring from the committee at the end of the year.
 - The Bylaws will need to be reviewed for requirements for a new member.
 - Sheri (HR) will develop a flyer announcing the opening and will coordinate conversations with the unions regarding membership.
2. A memorandum was provided by Hyas regarding a change to the advisory composition of Vanguard U.S. Growth.
 - This was an informational only notice and no action is needed.
 - Hyas will continue to monitor.

Future Meeting Dates

- The Committee will meet on November 2, 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 Presentation
- NAGDCA Conference review and report on Secure Act 2.0 - Sheri

Meeting Adjourned

The meeting was adjourned at 2:18 pm