

Meeting Minutes – 457 Deferred Compensation Committee



Date: Thursday, August 4, 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
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	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 1:04pm.

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 May 5, 2022 as written by Troy 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 received for this meeting.

NATIONWIDE

Second Quarter Plan Health Report

1. The Second Quarter 2022 Plan Health Dashboard Report was reviewed showing the current plan value as of June 30, 2022 was \$63,111,491 (loans and self-directed assets are excluded). The total participant account balance was \$65,101,486 which includes self-directed accounts and loans.

2. The total participant count is 1,361 and of those, 987 have online accounts. 672 participants have a retirement goal and 41% of those are “on track” for retirement. There were 21 new enrollments in the quarter.
3. The average participant account balance was \$46,801.
4. Leanne mentioned that although the number of rollouts remained constant, the dollar amounts were much smaller.
5. There are 775 participants actively deferring, 489 who are inactive and 97 who are in payout mode.
6. There are currently 289 participants with a ProAccount. The total balance of these accounts is \$7,436,409 with an average balance of \$25,732.
7. There were 80.2% of plan participants with five or more asset classes which is good.
8. There was an increase in general purpose loans and an additional two (2) defaulted loans.
9. 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.

3121 Plan

1. There has been an increase in enrollment to this plan as more Extra-help employees are entering the workforce.
2. It was requested that Total Rollovers-Out be added to the report. This item cannot be added to the report but a statement will be provided with future reports.
3. There was discussion around how employees are notified they may have money in the 3121 plan that can be cashed out when separating from Butte County employment or rolled over when entering full-time Butte County employment.
4. It was determined that Nationwide would assist with crafting a notice for Human Resources employees to provide with the separation paperwork informing employees that they need to contact Nationwide when moving to full-time or separating from employment.

Participant Education

1. The webinar schedule / flyer was reviewed and now has a QR code. While the flyer states “Space is Limited...”, there really is no limit on how many people can attend.
2. Leanne stated when the flyer is sent out multiple times, especially the day of the webinar, there is a significant increase in attendance. The flyer will be sent again closer to the webinar date and again the day of the webinar.
3. Leanne stated that new employee orientation has been very well attended with people contacting her 1-2 weeks after their initial orientation.
4. Leanne also stated more people come to see her when she is at 78 Table Mountain than when she is at Human Resources.
5. The new statement format was reviewed.

HYAS GROUP

Second Quarter 2022 Performance Report

Market Commentary

1. The traditional definition of a recession was provided (2 negative consecutive quarters). While we meet the traditional definition, some economists are saying there is no recession at this time as not all the indicators are there, i.e. unemployment rate, wages, spending, etc.
2. The national unemployment rate held steady at 3.6% (generation low) with Butte County’s average at 4.0%.

3. The Consumer Price Index (Inflation) was at 9.1%, the highest rate in 40 years. The high inflation numbers are generally a threat to economic recovery.
4. The inverted US treasury Yield Curve could predict a recession and the Federal Reserve has said it is slowing the interest rate hikes as more aggressive increases may not be needed.
5. All three major asset classes were weak again this quarter. The Bloomberg Aggregate (which is a bond market proxy) was down 4.69% for the quarter. The US stock market (the S&P 500) was down 16.1%, while the MSCI ACWI ex-US was off 13.73%.

Current Fund Lineup Overview

1. Despite the weak first and second quarter, the 457 has seen 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 second quarter, the plan has just over \$65 million.
2. The fixed account now has 14.7% (\$9.5 million) of the plan assets.
3. There was a \$9 million market loss this quarter, a \$4.6 million market loss last quarter and \$8.3 million for last year.

On-Watch Funds

1. There are currently two funds on watch:
 - DFA US Large Cap Value Fund; and
 - T. Rowe Price Instl Mid-Cap Equity Growth Fund.
2. The DFA US Large Cap Value Fund has come back and is no longer trailing the benchmark. The recommendation from Hyas Group is to remove this fund watch status.

MOTION: Motion to remove the DFA US Large Cap Value Fund from the watch list by Eric and second by Sheri.

VOTE: Motion passes unanimously.

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.

MOTION: Motion to keep the T. Rowe Price Instl Mid-Cap Equity Growth Fund on watch by Eric and second by Sheri.

VOTE: Motion passes unanimously.

4. The Vanguard US Growth Adm Fund is underperforming. It was recommended that this fund be placed on watch.

MOTION: Motion to place the Vanguard US Growth Adm Fund on watch 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 second quarter was \$22,000 with \$10,000 going to Nationwide and \$12,000 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.

Investment Policy Statement

1. The following proposed changes to the Investment Policy were reviewed:
 - The date on the cover page was updated to reflect the current year.
 - The Lifecycle Premixed Portfolio – 2020, 2025, 2030 was updated to reflect that stocks generally will comprise 35%-65% of the total portfolio, not 35%-70%.
 - The Lifecycle Premixed Portfolio – 2035, 2040, 2045, 2050, 2055, 2060. 2065 was updated to reflect that stocks generally will comprise 65%-95% of the total portfolio, not 70%-95%. The US Target Date 2065+ fund was added to the Peer Groups section.
 - The Total Return Bond Benchmark Index was updated to remove Barclays Capital and replace it with Bloomberg as there was an ownership change.
 - The definitions of the U.S. Large Company Equity, U.S. Mid-Size Company Equity, and U.S. Small Company Equity have been updated to remove the capitalization dollar amounts and include that they will be categorized by industry standards.
A paragraph regarding “Fair Value Pricing” has been added to the Passive Investment Strategies section.

MOTION: Motion to accept the changes to the Investment Policy statement as written by Eric and second by Troy.

VOTE: Motion passes unanimously.

Legal and Regulatory Updates

1. Vincent discussed some of the key features of the current Secure Act 2.0 bill moving through the Senate:
 - The Required Minimum Distribution (RMD) age is being increased incrementally from 72 years of age to 75 years of age.
 - Catch-up Contributions of up to \$10,000 will be permitted.
 - The First of the Month Rule has been removed for signing up. (There is no longer a wait until the first of the following month after enrollment to begin actively deferring into the retirement plan.)

BUTTE COUNTY

County Discussion

1. The Committee did not review the excess revenue ledger this meeting but will at the November meeting.
2. The NAGDCA Conference was discussed and it was determined that the only member with the potential of attending this year would be Brenda Sallade.
3. Brenda will work with Sheri regarding any HR Claims for the expenses.

RFP Process

1. The current consultant contract with Hyas Group was given a one-year extension last year due to COVID-19 restrictions and will expire 6/30/2023 so the RFP process needs to be implemented.
2. Sheri will send the previous RFP to the group and Brenda will send the current contract to the group.
3. Troy and Brenda will work together on the RFP, including all scheduling, etc.

Action Items

1. Leanne and Jake will work with Rae to create a flyer to be included with the separation paperwork so employees know to contact Leanne when separating or moving from extra-help to full-time.
2. Butte County will send the webinar email reminder to employees a few days before the webinar and again the day of the webinar.

Future Meeting Dates

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

Future Meeting Topics

- Discuss status of de minimis distributions (Nationwide) – all agendas
- Meeting schedule for 2023
- Plan of Action for 3121 Accounts – November 2022
- NAGDCA Conference – Best Practices and Lessons Learned – November 2022
- RFP Progress – November 2022
- 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 2:31pm