

Meeting Minutes – 457 Deferred Compensation Committee



Date: Thursday, November 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
X	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	Greg Sabin	Nationwide – Investment Advisor Representative
A	Rae Forrester	Human Resources Benefits Coordinator
X	Supervisor Doug Teeter	Board of Supervisors, District 5
A	Arlene Trafton	Attended for Chair

Call to Order

Troy called the meeting to order at 1:03 pm.

Roll Call

There was a welcome and introductions. Troy took roll call, and noted there was a quorum.

Approval of Minutes

MOTION: Motion to approve the minutes from August 3, 2023 as written by Eric 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.

BUTTE COUNTY

Administrative Account Ledger

1. The Account Revenue Ledger was reviewed which shows the Deferred Compensation Committee is remains self-sustaining as of July 2023.



2023 NAGDCA Annual Conference Discussion

- Greg and Vincent both stated the annual NAGDCA Conference was great and offered really good sessions this year.
- The conference provides the opportunity to speak with peers and discuss topics such as fee models, bargaining units, match plan options, etc. that others are currently offering.
- There seemed to be an ongoing message amongst the attendees. This message was: “If you don’t already have a consultant, get one.”
- Sheri reported that she learned a lot and the networking was great with a focus on the plan and how others are getting the information out to people.
- The Secure Act 2.0 discussions were for agencies to focus on the mandatory provisions and then look at the optional.
- Sheri stated she got some really great ideas and was able to focus on the plan from the Human Resources perspective and will bring these ideas to the group if they are viable for our County.

NATIONWIDE

Third Quarter Plan Health Report

1. The Third Quarter 2023 Plan Health Dashboard Report was reviewed showing the current plan value as of September 30, 2023 was \$67,655,852 (loans and self-directed assets are excluded). The total participant account balance was \$70,086,269 which includes self-directed accounts and loans.
2. The total participant count is 1,425 and of those, 1,092 have online accounts. 876 participants have a retirement goal and 63% of those are “on track” for retirement. There was a total of 29 new enrollments in the quarter.
3. The average participant account balance was \$48,048.
4. There are 801 participants actively deferring, 525 who are inactive and 99 who are in payout mode.
5. The average contribution per pay period is \$149.
6. Participants in the ProAccount increased by nine (9) this quarter. There are now 333 people with a ProAccount. The total balance of these accounts is \$9,116,105 with an average balance of \$27,376.
7. There were 81.0% of plan participants with five or more asset classes which is good.
8. There are currently 91 general purpose loans, six (6) primary residence loans, and five (5) new defaulted loan for a total of 24 defaults. The total of all loan balances, including defaults, was \$789,257.01.
9. Of the five (5) defaulted loans this quarter, most were for less than \$5,000 and all but one participant is listed as still employed.
10. There may be future discussion on ways to change existing loan provisions to minimize defaults.
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.
12. Nationwide has seen an increase in Roth contributions.
13. Leanne Luttgies reported she has had full days of meetings and is available in person approximately three (3) times per month and is available digitally six (6) additional days.
14. There is not much participation in available webinars. The Committee will look at potential ways to increase participation.



Secure Act 2.0 Continued Discussion

1. Nationwide provided the NAGDCA Secure 2.0 Summary for Governmental Plans handout and reviewed the mandatory vs. optional Bill Sections.
2. The Committee will discuss and potentially take action on Section 306 which is the provision to eliminate the “first day of the month” requirement for governmental 457(b) plans. If approved, increases, decreases, and starting a 457(b) plan would no longer have to wait until the first of the following month and could begin or end as early as the following pay period.
3. Section 603 has been delayed until 2026. There will be more discussion in the future.

Certificates of Deposit within brokerage Discussion

1. There was discussion regarding Certificates of Deposit being available through the Schwab Personal Choice Retirement Account.
2. Nationwide provided a link for the Committee to be able to review the informational materials Schwab has posted. [A demonstration video from Charles Schwab on how their CD trading platform works.](#)

De Minimis Distribution Discussion

1. De Minimis distributions were last completed in 2022.
2. The Committee wants to revisit and re-engage in this project in the spring of 2024.

HYAS GROUP

Third Quarter 2023 Performance Report

Market Commentary

1. The Gross Domestic Product had a growth target of 2-3% and ended the third quarter at 4.9%.
2. The national unemployment rate was 3.8% with Butte County’s average being 5.2%.
3. The Consumer Price Index (Inflation) was up from 3.0% to 3.7%. There is hope the Federal Reserve will keep rates where they are with a possible decrease next spring or summer.
4. For the third quarter, the Bloomberg U.S. Aggregate (which is a bond market proxy) was down to -3.23% with a year to date (YTD) return of -1.21%, US TIPS (Federal Government Bonds) was down to -2.60% and has with YTD of -0.78%, and the US High Yield was up 0.46% with YTD of 5.86%.
5. The US stock market (the S&P 500) ended the quarter at -3.27%, while the MSCI ACWI ex-US ended the quarter at -3.77%.

Current Fund Lineup Overview

1. The beginning value of the 457 Plan was \$69,561,721. There was a net cash flow of \$103,507 and a market loss of (\$2,009,375), leaving the plan balance at the end of the third quarter at \$67,655,852.
2. The fixed account has 20.84% of the plan assets which equates to \$14,096,578.
3. The beginning value of the 3121 Plan was \$2,142,024. There was a net cash flow of \$44,365 and a market gain of \$11,289, leaving the plan balance at the end of the third quarter at \$2,197,679.



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.
3. The T. Rowe Price Instl Mid-Cap Equity Growth Fund continues to do well. If the next quarter performance is remains good, the committee will look at removing it from watch.
4. No action was taken this quarter 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 third quarter was estimated at \$23,679 with \$10,994 going to Nationwide and \$12,685 going to the committee so it can pay expenses such as fiduciary insurance and consultant fees, etc.
3. Approximately \$769 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 20% shortfall from where it should be at this point due to the decrease in assets in the fixed account. There is still approximately six (6) years to catch up on the \$145,000 absorption.
2. Nationwide requested the MVA be monitored annually as per the terms of their contract.
3. The frequency of MVA Accounting monitoring will be discussed at the next meeting.

Money Market Fund Search Document

1. Hyas provided a Money Market Product Review handout as the committee had expressed interest in adding a Money Market Fund option to the 457 plan.
2. The pros and cons of adding this option were discussed.
3. Most of these funds have a wash provision for completing funds, meaning participants would need to put their money somewhere else for 90 days and can't easily move back and forth.
4. The committee had concerns that some investors may not completely understand this option.
5. Hyas stated approximately 40% of plans had money market options prior to rates increasing with 70% now having or adding the money market option to their plan.
6. Adding a money market fund to the 457 will be discussed further at the next meeting and will be an action item on the agenda.
7. It will take 60-90 days to add this option to the plan, if the committee votes to add it.

2070 Target Date Vintage Fund Discussion

1. There was discussion on adding the Vanguard Target Retirement 2070 fund option to the plan.

MOTION: Motion to add the 2070 Target Date Fund by Brenda and second by Eric.

VOTE: Motion passes unanimously.

Meeting Minutes – 457 Deferred Compensation Committee



Questions / Open Discussion

1. The Committee thanked Eric Schroth for the knowledge and service he provided while on the Committee.

Future Meeting Dates

- The Committee will work to determine the next meeting date and time in February 2024. The meeting will be held in the HR Training Room, East.

Future Meeting Topics

- Discuss status of de minimis distributions (Nationwide) – all agendas
- MVA Accounting Discussion (Nationwide and Hvas Group) – February
- Secure Act 2.0 Section 306 – February
- Money Market Fund options – February
- Certificate of Deposit options – February

Meeting Adjourned

The meeting was adjourned at 2:45 pm