Meeting Minutes – Deferred Compensation 457 Committee

Date: **Tuesday, January 9, 2018**

Time: **2:00 – 3:30 p.m.**

Room Location: **202 Mira Loma - Tahoe Room**

Status: A – Attended | X – Did Not Attend

Status	Invitees	Title
A	Dave Houser	Chair
A	Peggy Moak	Vice-Chair
A	Eric Schroth	Secretary
A	Raeshell Forrester	HR Representative
X	Pamela Knorr	Member
A	Brenda Lagrone	Member
A	Vincent Galindo	Hyas Group – Senior Consultant
A	Benefits Plan Review Committee	Member attendance available upon request to the Benefits Plan Review Committee

Business:

The purpose of the meeting was for the Deferred Compensation (457) Committee to present its plan to issue a formal RFP in an effort to consolidate record keeping functions with a single provider, the primary objective of which is to simplify the plan for both participants and non-participants, improve investments, enhance participant and plan sponsor services, and lower fees.

1. The 457 Committee presented an overview including a brief history explaining why the County uses two providers. The 457 Committee introduced themselves and provided information as to the committee's responsibilities and accomplishments. Written information was also provided detailing the committee's functions and processes.

2. Vincent Galindo, Senior Consultant with Hyas Group presented a plan fee review and benchmarking study.

    a. Vincent explained how the fee structure works. Participants in the plan pay fees for record keeping services. The fees are fully disclosed, but not transparent. Most funds contain a revenue sharing fee. The revenue sharing fee was originally a financial incentive to market products. Proprietary funds (i.e. funds managed by the record keeper) use revenue sharing fees in addition to management fees. A comparison of fees with 17 similar government entities was presented which showed Butte County's fees

were significantly higher. A chart was provided to illustrate how a reduction in fees and/or higher net earnings on investments could affect savings over time.

Question: Since the second fund provider (Empower) was required for extra help, is extra help only able to participate with the second provider?

Answer: Yes. Plan services were marketed by having participants pay fees for record keeping, essentially offering no cost for the county to hire a plan provider. It was thought that in addition to requirements for extra help, multiple providers could diversify investments at no additional cost. However, there has been a trend in the last five years towards consolidation and independent record keeping. Independent record keeping moves away from proprietary funds, which are not always in the best interest of participants. A single provider can lower fees while offering a similarly diversified fund lineup. Consolidation drives competition to lower fees.

Question: Does the County have proprietary funds in their lineup?

Answer: The County has both proprietary and non-proprietary funds. It was roughly estimated that a majority of participants are invested in proprietary funds. Proprietary funds are not necessarily bad if they are appropriate and the fees are reasonable. Review of the fee study demonstrated that the fees were significantly higher than comparable plans. The 457 Committee has worked at lowering fees and has obtained two fee reductions from ICMA, but it was becoming apparent that greater expertise was needed to lower fees further and that is the reason Hyas Group was hired.

Question: What will happen to the current funds when they are consolidated into a new plan?

Answer: In a transition, it is possible a fund or two may remain. However, the other funds will map to similar funds in the new plan. Retirees have the option to take fund proceeds to the provider of their choice. The advantage of consolidation is that the larger plan balance makes it attractive for competitive fees. One plan is also easier to manage and control. The county's plan balance is expected to attract interest and competition.

Question: What is the time frame for switching to one provider?

Answer: The timeline is detailed in the packet that was provided. It is estimated to take 5 to 6 months. Timing also depends on contract terms and liquidity restrictions. A data request has been submitted to try to determine what the terms and restrictions are.

Questions: Will the change in provider lock up funds for retirees?

Answer: No in most cases. It is rare to lock up money. The possibility of a lock up will be known during the RFP process and before a provider is hired.

Question: Will extra-help continue to participate?

Answer: Yes.

Question: Does the invested money continue to receive gains and losses?

Answer: Yes. References, blackout periods and time out of the market will be criteria that are reviewed during the RFP process. Zero to one day out of the market is typical.

Question: Is there a fee for the transition?

Answer: No.

Question: Will Empower or ICMA be considered for the RFP?

Answer: The RFP is not limited to the current providers. Approximately 28 firms provide record keeping services. Empower and ICMA can submit proposals. The RFP will allow the 457 Committee to look at different perspectives of record keeping services including financial wellness, cyber-security, online access, payroll system interface, as well as other desirable features that the committee may not be aware of, but want to incorporate.

Question: What is the extent of online access?

Answer: County employees may enroll online, but not all functions are available online. The 457 Committee seeks to improve online functionality while keeping non-online functions for retirees.

Question: Will the new plan retain representatives to meet with employees?

Answer: Yes.

Question: Would the Benefits Plan Review Committee like another meeting after the finalists are determined?

Answer: Yes. It is important that the Benefits Plan Review Committee and county employees support the RFP.

Question: Do we know which employees participate in the plan?

Answer: Not at this time, but it should be possible to gather information by bargaining unit or maybe even department (no names, only numbers). It was noted that safety employees do not seem as interested in participating. It is desirable to increase participation. Presentations can be requested and can be made available at department meetings. ICMA schedules open houses and anyone may contact a 457 Committee member to schedule a presentation.

Meeting Adjourned