**Meeting Minutes – Deferred Compensation Committee**

**Date:** **Wednesday, October 17, 2018**

**Time:** **2:00 – 4:00 p.m.**

**Room Location:** **Auditor Conference Room 3A**

Status: A – Attended | X – Did Not Attend

| Status | Invitees | Title |
|---|---|---|
| A | Dave Houser | Chair |
| A | Peggy Moak | Vice-Chair |
| A | Eric Schroth | Secretary |
| A | Pamela Knorr | Member |
| A | Brenda Lagrone | Member |
| A | Graciela Gutierrez | Member-Elect |
| X | Troy Kidd | Member-Elect |
| A | Vincent Galindo | Hyas Group – Senior Consultant |

**Business:**

1. Hyas presented a proposed investment menu and funding mapping strategy. The Committee asked Hyas for more information regarding several funds presented in the menu. For example, DFA US Small Cap I does not appear to compare well with Undiscovered Mangers Behavioral Val I, Sterling Capital Total Return with Loomis Sayles Bond Fund, and DFA International Core Equity with Oppenheimer Global. Hyas will look into mapping of the funds the Committee has concerns with and provide rationale and other data points. Some participants may question why funds are mapping to funds with a short-term track record like Fidelity International Index. Hyas responded that in the case of Fidelity International Index, aggressive pricing made it attractive. Funds were selected because they were defined as defined contribution plan friendly, meaning that the returns tend to be stable with minimum fluctuation.

2. The Committee would like to consider different target date portfolios in the next couple of weeks. Hyas explained that there are different philosophies regarding target date portfolios and explained how differing equity glide paths compare. The Committee wants to be sure that the selected portfolios can weather a market downturn. Peggy provided a document prepared earlier by Hyas that shows equity glide paths for various target date portfolios. The Committee will consider the information before making a decision.

3. Target date portfolios may be mapped using either age or asset allocation. The Committee discussed the issue and felt that asset allocation most closely preserves the participants' original intent. A participant can always change their fund if after mapping they are not satisfied.

   Eric Schroth made a motion and Dave Hauser seconded it.

   **MOTION:** Map target date funds based on asset allocation.

   **VOTE:** Motion approved unanimously.

4. The Committee discussed the administrative tack on fee. Nationwide requires a 0.065% fee, which will be shown on the fund statements. The Committee feels fee transparency is desirable. Previously, much higher fees were embedded in net fund returns which lacked transparency. There was some concern that a fee shown on the statement might be objectionable, especially when none has been shown before. Information will be provided that explains the fee and its reduction. Nationwide is well experienced with transitional issues regarding fees and will provide statement notes and advisors for participants who have concerns.

5. The Committee needs to determine what total fee is required to fund the 457 plan. The fee for a consultant translates to approximately 6 basis points. Previous discussions estimated that a total fee of 0.14% would be required. The Committee questioned what dollar value the 7.5 basis point difference equates to. The Committee needs to calculate a budget which includes liability insurance and consulting fees. Hyas will provide an example budget for the Committee to consider.

6. The following existing features may be continued with the new provider.

   a. Loans
   b. Self-directed brokerage
   c. Roth
   d. Managed accounts
   e. Default fund(s)

7. The Committee discussed whether loans should be processed through ACH. Pamela Knorr favored ACH because it will relieve the County of payroll burden. Graciela Gutierrez did not favor ACH because it is more easily abused when not connected with payroll deductions. Eric Schroth did not favor ACH because potential abuse must be monitored by the Committee so that IRS retirement fund status is not jeopardized. He suggested that payroll deductions be retained until employment is terminated at which time ACH could be implemented. Brenda Lagrone cited a circumstance where an employee may take leave without pay, which would end payroll deductions while retaining employment. Peggy Moak favored ACH not only because it meets one of the Committee's objectives of transferring administrative work from the County to the Record Keeper, but it tends to retain funds within the retirement plan assuming the committee approves allowing loan balances to continue to be repaid after termination on employment or retirement.

Peggy Moak made a motion to provide for loan repayment via ACH/ETF instead of payroll deduction, and not to require that loan balances be paid in full upon termination or retirement, and Pamela Knorr seconded it.

**MOTION:** Implement ACH for loan repayment administration

**VOTE:** Motion approved unanimously.

8. The Committee agreed that the existing plan features should be retained and that the default fund should be a target date portfolio by age.

   Eric Schroth made a motion and Dave Hauser seconded it.

   **MOTION:** Retain existing features a. through e. per #6 above and use a target date portfolio by age as the default fund.

   **VOTE:** Motion approved unanimously.

9. Hyas will review the Investment Policy Statement.
10. The Committee discussed transition status updates.
    a. Nationwide has the contract pending their approval.
    b. The Board of Supervisors meeting date to approve the contract is December 11, 2018.
    c. Information will be sent to the Benefits Review Committee. It is important to show support for the new contract at the Board of Supervisors meeting.
    d. Hyas reiterated that Nationwide is experienced at providing transition support.

**Outstanding Action Items:**

1. Approve fund mapping and decide which target date portfolio would be best for participants.
2. Develop budget to determine administrative tack on fee.
3. Agendize Board of Supervisors contract approval.
4. Notify interested parties of Board of Supervisors meeting to approve contract.

**Meeting Adjourned**