

Meeting Minutes – Deferred Compensation 457 Committee



Date: Wednesday, April 3, 2019

Time: 8:00 a.m. – 8:45 a.m.

Room Location: Treasurer's Office and via conference call

Status: A – Attended | X – Did Not Attend

Status	Invitees	Title
A	Graciela Gutierrez	Chair
A	Troy Kidd	Vice-Chair
A	Eric Schroth	Secretary
A	Peggy Moak	Retired Treasurer
A	Pamela Knorr	Member
A	Brenda Lagrone	Member
A	Vincent Galindo	Hyas Group

Business:

1. The Committee met to discuss whether to retain Millennium Trust as an IRA rollover account for small balances. It was noted that it may not be in participants' best interest to have funds transferred to Millennium Trust because it has high fees and with low interest rates. The trust charges a \$35 annual fee, \$25 setup fee and \$25 closeout fee while earning less than 0.5% interest. The Committee asked what other options were available. Vincent responded that cashing out and rolling over fund balances within an established dollar threshold is common. An IRA rollover like Millennium Trust is used to administer neglected accounts. The purpose is to clean up the books and clearing out small neglected accounts may go a long way on meeting IRS reporting obligations. Participants are notified of their options and can cash out balances at any time.
2. Peggy asked whether balances under \$5,000 could be distributed. Vincent responded that he has not seen this high a threshold for cashing out. The industry standard is to cash out balances less than \$1,000 and rollover balances between \$1,000 and \$5,000.
3. The Committee discussed the thresholds for cashing out and rolling over accounts. The Committee unanimously agreed (absent one) to follow industry standards. Balances less than \$1,000 should be cashed out and balances between \$1,000 and \$5,000 should be rolled into the Millennium Trust IRA.
4. Graciela asked whether it was possible for active employees to leave balances between \$1,000 and \$5,000 in the broader 457 plan rather than being required to transfer them to the IRA rollover. She also questioned whether there were any IRS compliance issues with distributions

between \$1,000 and \$5,000. The answers to these questions will be followed up in the Nationwide conference call scheduled in one hour. (See NOTE, below)

5. Pamela expressed concern that HR would not be able to assist with account cleanup due to a staffing shortage. Peggy offered her assistance with cleaning up inactive accounts. Nationwide will process escheatment.

Meeting Adjourned and rejoined at 9:30 via conference call with Nationwide.

Discussion and action taken:

Nationwide clarified that the IRS does allow distribution of balances less than \$5,000 directly to separated employees or de minimus balance employees. No action taken (information only)

Nationwide clarified that de minimus balance rules apply only to active participants who have not contributed for more than two years. Mandatory distribution for low balances rules apply to separated employees only.

ACTION: The Committee members on the call (Troy, Pamela, Graciela, Brenda and Eric) voted that mandatory payout of balances under \$1,000 should be authorized on the Adoption Agreement for the 3121 (OBRA) Plan, and that balances from \$1,000 to \$5,000 should be either paid out or rolled over to an IRA for that Plan.

The question came up regarding what the escheatment process is at Nationwide. Dave Hall will look into it and report back to the Committee.

Return mail processing: Accounts are flagged with a bad address indicator. Nationwide uses Accurant (through Lexis Nexus) to search for new addresses and correct the address on file then resend notifications.

ACTION: The Committee members voted unanimously to have Nationwide eliminate all zero balance accounts for separated employees. Separated employees will be subject to mandatory distribution notifications for balances under \$5,000. This process is conducted once annually through Nationwide.

Peggy indicated she would assist with a cleanup of the separated employee files with balances, subject to Troy's authorization.

NOTE: On a subsequent call on 4-10-19, it was clarified that active employees could optionally have distributions for de minimus balances and it did not have to be mandatory. Nationwide indicated that this was fairly typical of most plans. This cures the situation where an active employee stops contributing for a period of time and then decides to resume contributing to the 457 Plan. The Committee members on the call agreed to change the provision affecting balances under \$1000 in the 457 plan from mandatory to optional as this addresses concerns surfaced by Graciela and Peggy.