

## **MARIN COUNTY DEFERRED COMPENSATION COMMITTEE**

Marin County Civic Center, 3501 Civic Center Drive

San Rafael, CA

**Thursday, November 4, 2021**

**Regular Meeting**

### **MINUTES**

1. Call to Order

The meeting was called to order at 2:05 p.m.

2. Roll Call

Present: Roy Given, Director of Finance and Chair; Lisa Hatt, Employee Benefits Manager, Human Resources; Stephen Raab, County Counsel Representative; Dan Eilerman, Assistant County Administrator; Jeff Wickman, Retirement Administrator; Pauleen Temperani, Marin Courts Representative

Absent: Cloann DiGrazia, Retiree Representative; Shanea Thompson, MAPE Employee Representative

Others in attendance: Jayson Davidson, Senior Consultant, Hyas Group; John Steggell, Relationship Manager, Nationwide; Nick Ziegenbusch, Consultant, Investment Management Group, Nationwide

3. Open Time for Public & Committee Comment

No comment

4. Approval of Minutes of August 5, 2021 (Action)

MOTION by Lisa Hatt to approve minutes of August 5, 2021

SECOND by Dan Eilerman

AYES: Given, Hatt, Raab, Eilerman, Wickman

5. Deferred Compensation Committee Matters

No discussion

6. Request from the Board of Supervisors to adopt resolution allowing continued use of tele/video-conferencing in compliance with the Brown Act for the November meeting of the Marin County Deferred Compensation Committee (Action)

Committee member Raab explained the new rules passed by the State legislature (AB 361) on suspending Brown Act teleconferencing requirements and meeting virtually during the COVID-19 state of emergency. Marin H&HS continues to recommend social distancing for public

meetings, and the Board of Supervisors passed a resolution authorizing continuing meetings via Zoom. It will reauthorize for 30 days. The committee's resolution, which was distributed to the committee, confirms it is appropriate to hold the November 4, 2021 meeting via Zoom. The Chair said committee members will be required to attend 2022 meetings in person. Nationwide and Hyas Group may attend in person or virtually.

MOTION by Jeff Wickman to adopt resolution allowing teleconferencing for the November 4, 2021 Marin County Deferred Compensation Committee Meeting per the Board of Supervisors authorization for meeting via tele/video conference.

SECOND by Dan Eilerman

AYES: Given, Hatt, Raab, Eilerman, Wickman, Temperani (arrived after first motion)

## 7. Nationwide Retirement Solutions

- Quarterly Summary Report and Quarterly Update QE 9/30/21

John Steggell advised the committee that the IRS just announced raising the contribution limit for 2022 by \$1,000 to \$20,500. There was no change to catch-up.

He reviewed the Nationwide Quarterly Report for the 3<sup>rd</sup> Quarter for the County and the Courts.

### Administration

The total account balance for the County was \$342,001,148 and \$13,872,815 for the Courts. The participation rate was 61.44% for the County. Nationwide will be putting forth efforts to get the 954 participants who are inactive to contribute. For the County there was \$3.6 million in contributions and \$2.5 million in distributions, with withdrawals down from the last quarter. Catch-up and loan activity were also lower in the 3<sup>rd</sup> quarter. .

### Plan Demographics

John Steggell noted that participant numbers and the average account balance increase with age, as would be expected. The average annual deferral is above-average at \$7,000. Roth has \$5.5 million in assets. Transfers out were \$5.3 million.

### Retirement Readiness

46% of participants are prepared for retirement. Good usage had been made of the Nationwide website. There are 1,826 online accounts. John Steggell said it was the highest ratio of any of the plans he handles.

### Participant Experience

The website received 15,627 inquiries. There was high usage of the app at over 1100 times. Most users preferred desktop or mobile devices. The call center received 368 calls.

- Update on Webinar Activity and Virtual Benefits Fair Booth

John Steggell reported that the 10/7-11/4 virtual webinars were wrapping up. He said that Kerri Avila, Nationwide Retirement Specialist, reported that 223 Marin County employees participated. Virtual was very popular and will be continued next year, even when in-person workshops resume. Committee member Hatt said all webinars were parallel with open enrollment except the 10/7/21.

John Steggell demonstrated the custom Marin County virtual benefit fair booth. He and Committee member Hatt will discuss keeping the booth open. Committee member Temperani asked if the Courts could utilize the virtual booth. John Steggell said it was customized specifically for the County but that there is a generic booth without customization that the Courts could use

## 8. Hyas Group

- Quarterly Performance Report QE 9/30/21

Jayson Davidson discussed the 3<sup>rd</sup> quarter performance report for the committee.

### Markets & Economic Update

Inflation was not as significant an issue as markets expected. The GDP did slow in the 3<sup>rd</sup> quarter, but there is no red flag and a rebound is anticipated. Job creation was below expectation due to COVID, but a bounce is expected on Friday's announcement. Supply line constraints are weighing on consumer prices which makes inflation a concern. The Fed may raise interest rates next year. Activity was flat in the bond market. There was a lot of volatility in the equity markets. They started out strong then petered out. S&P was up 7% since end of the quarter. Energy returns were high for natural gas and oil. Recovery is lagging in the international markets, but they are expected to catch up.

### Plan Asset Allocation

The plan did not move much in the 3<sup>rd</sup> quarter. The markets were slow and flat. The Courts had higher asset allocation and more use of the self-directed brokerage than the County. OBRA is 100% Galliard Stable Value and valued at \$9 million. .

### Performance Review Dashboard

Schroder Mid Cap Trust is on watch for performance; Galliard Stable Value is on watch due to qualitative issues, i.e., significant ownership change. The funds added to watch at today's meeting are due to qualitative, not quantitative, issues. Jayson Davidson noted for full disclosure that Calvert Balanced I is a Morgan-Stanley affiliated fund, and that Hyas Group is a business of Morgan-Stanley.

### Performance Review

In large-cap there were no performance issues with T. Rowe Price. In small to mid-cap (“smid”) Schroder in on watch. International funds were doing well and there were no performance issues with Calvert Balanced I. Target funds were doing as expected.

### Plan Fees

There was no change to funds.

- Discuss Vanguard Total Return Bond Fund lower cost share class implementation and communication

Fund has moved to a lower cost institutional share class. The next quarterly report will reflect the change.

- Fund Review: T. Rowe Price Structured Research Fund portfolio management changes and delay on transition to CIT. Add to Watch List (Action)

Jayson Davidson advised against moving to CIT while putting fund on watch. A Hyas Group memorandum on portfolio management changes was distributed to the committee. NEW MOTION by Stephen Rabb to delay moving forward on transition of T. Rowe Price Structured Research Fund to CIT

SECOND by Dan Eilerman

AYES: Given, Hatt, Raab, Eilerman, Wickman (Temperani left meeting)

MOTION by Stephen Raab to move T. Rowe Price Structured Research Fund to watch list

SECOND by Dan Eilerman

AYES: Given, Hatt, Raab, Eilerman, Wickman

- Fund Review: Metropolitan West Total Return Bond portfolio management changes. Add to Watch List (Action)

A Hyas Group memorandum on portfolio management changes was distributed to the committee

MOTION by Dan Eilerman to put Metropolitan West Total Return Bond on watch list

SECOND by Lisa Hatt

AYES: Given, Hatt, Raab, Eilerman, Wickman

- Discuss Vanguard Target Date Fund Class merger and potential move to CIT version (Action)

Jayson Davidson recommended moving to CIT version in keeping with manager getting most efficient cost. He also mentioned as a downside that there will be no ticker symbol for the CIT version. Committee member Wickman expressed some misgivings about a CIT/Vanguard combination fund – “the only way is the Vanguard way”. Jayson Davidson agreed but stated it was the same issue with mutual funds as with CIT and he expected the performance to be better.

MOTION by Dan Eilerman to move to the CIT version of the Vanguard Target Date Fund Class

SECOND by Lisa Hatt

AYES: Given, Hatt, Raab, Eilerman, Wickman

- Discuss lower cost share class option for the Calvert Balanced Fund (Action)

Jayson Davidson recommended moving fund to R6 class. The R6 share class, a mutual fund, is less expensive with a drop in 4 basis points. John Steggell indicated that the Calvert move could take place by mid-January (and that the CIT work with Vanguard would take slightly longer),

MOTION by Dan Eilerman to move to the R6 share class option for the Calvert Balanced Fund.

SECOND by Lisa Hatt

AYES: Given, Hatt, Raab, Eilerman, Wickman

- Discuss class action lawsuit settlement for the MFS Blended Research US Core Equity Fund

Lawsuit goes back ten years. The County’s 457 plan received \$3,466 and the Courts received \$89. The fund is no longer in the plan. The Chair said the plan was close to making a distribution of excess proceeds. It hasn’t been done for several years. He will add discussion of the amount and calling for distribution to plan participants to the next agenda.

- Legal and Regulatory Updates

Jayson Davidson noted the IRS announcement, previously mentioned by John Steggell, that in 2022 the contribution limit for 457 plans will be increased by \$1,000 to a new limit of \$20,500.

He reviewed the Hyas Group’s 457 Fiduciary Advisor Newsletter, highlighting the first two items: ERISA excessive fee lawsuits are awaiting a Supreme Court decision and the Department of Labor has proposed amendments to a plan sponsor’s investment duties

when evaluating the impact of ESG funds (Environmental, Social & Governance) on plan investments. The proposal states that climate change and other ESG factors can be material when investing. It could open the open door for plan sponsors to make more use of ESG.

#### 9. Items for Future Agendas

- Discuss and call for distribution of excess proceeds
- Fidelity vs. Vanguard Index Revisit
- Nationwide Annual Review: Calendar Year 2020
- Discuss De Minimis Distributions
- Annual Nationwide Investment Report
- Plan Document amendments
- 6-month review of Hyas Group merger with Institutional Consulting Business at Morgan Stanley

#### 10. Schedule 2022 Meetings

2022 meetings were scheduled as follows:

Thursday, March 17, 2022 @ 2:00 p.m.

Thursday, May 26, 2022 @ 2:00 p.m.

Thursday, August 25 @ 2:00 p.m.

Thursday, November 17, 2022 @ **2:30** p.m. (changed from 2:00 p.m. on 12/8/21)

#### 11. Adjournment

The meeting was adjourned at 3:31 p.m.