

Minutes

MARIN COUNTY DEFERRED COMPENSATION COMMITTEE

Marin County Civic Center, 3501 Civic Center Drive

San Rafael, CA

August 24, 2023 – 2:30 P.M.

1. Call to Order

Chair Mina Martinovich called the meeting to order at 2:30 p.m.

2. Roll Call

PRESENT: Mina Martinovich (Director of Finance); Dan Eilerman (designated alternative to the County Administrator); Jeff Wickman (Retirement Administrator, MCERA); Stephen Raab (designated alternative to County Counsel); Christina Cramer (Director of Human Resources); Lisa Hatt (Active Employee Representative); Katie Gaier (Marin County Retiree Representative); Jia Chen (Marin County Superior Court)

ABSENT: Shanea Thompson (MAPE-represented Active Employee Member)

Others in attendance: Jayson Davidson (Managing Partner, Hyas Group); John Steggell (Executive Relationship Manager, Nationwide); Wendy Sorensen (Committee Staff, Department of Finance)

3. Approval of Minutes – Meeting of February 14, 2023 (ACTION)

MOTION by Jeff Wickman to approve Minutes of May 25, 2023

SECOND by Dan Eilerman

AYES: Martinovich; Eilerman; Wickman; Raab; Hatt; Gaier; Chen

ABSTAIN: Cramer

4. Open Time for Public Comment

None

5. Deferred Compensation Committee Matters

- a. Bylaws of the Marin County Deferred Compensation Committee adopted by Board of Supervisors on July 25, 2023 (Resolution No. 2023-73)

The proposed bylaws were presented to the Board of Supervisors and were subsequently adopted under Resolution 2023-73 on July 25, 2023. A notable change in the bylaws was the addition of a ninth Committee member, Human Resources Director (or their designated alternative) to the Committee.

- b. Introduction of new Committee member, Christina Cramer, Human Resources Director

The Committee was introduced to Christina Cramer, the new Human Resources Director. She joined the County in mid-January 2023 and has 18 years prior experience with the County of Sonoma.

- c. Introduction of new Committee member, Katie Gaier, representing Retiree Representative seat, appointed by the Board of Supervisors on August 8, 2023

- d. After a successful recruitment effort, Katie Gaier was appointed to the Marin County Retiree Representative seat on August 8th by the Board of Supervisors. She previously served on the Deferred Compensation Committee during her tenure as a Marin County Employee. Prior to retiring in 2008, she served as the Deputy Director of Human Resources for Marin County. She shared her more recent experience, including consultation roles, a time with Marin Clean Energy (now MCE) and the City and County of San Francisco.

Jayson Davidson from the Hyas Group, serving as the investment advisor, and John Steggell, the Nationwide representative introduced themselves to the newest Committee members.

- e. New Deferred Compensation Advisory Committee website
Mina Martinovich announced the launch of the public-facing website for the Marin County Deferred Compensation Advisory Committee. The website provides electronic access to all pertinent documents related to the Committee's work, including Investment Policy Statements, Bylaws, respective plan documents, and other Committee-related information such as agendas and minutes dating back to 2013.

6. Hyas Group Report to Committee

Action Items were moved to the beginning of this discussion to accommodate a Committee Member needing to leave the meeting at 3:00 p.m.

a. Review and consider approval of Annual Statement of Investment Policy and Guidelines (ACTION)

The Committee discussed the importance of the Investment Policy Statement. An annual review of the Investment Policy Statement is recommended, although major changes are rare as the document is intended to be a long-term guide for evaluating investment options. However, minor modifications are made occasionally. Some of the proposed changes presented to the Committee included the current naming convention from County of Marin to Marin County for accuracy and consistency. There were also slight adjustments to the description of investment options ensuring that the policy's language matched the investment performance report.

MOTION by Dan Eilerman to approve the Annual Statement of Investment Policy and Guidelines with proposed changes.

SECOND by Jeff Wickman

AYES: ALL

b. Update on Amendment to the Administrative Services Agreement for the Governmental 457(b) Deferred Compensation Plan

During the meeting, the Committee was updated on the nearing-final Administrative Services Agreement with Nationwide Retirement Solutions, with ongoing discussions about financial planning services and service level agreements. The fee structure has seen modifications after some contention. There were concerns about service level agreements, unenforced penalties, and response time, which was adjusted. A discussion arose over Nationwide's preference for virtual quarterly financial planning sessions, but no fixed format was finalized by the Committee. Progress is ongoing for a separate agreement for Marin County Court's Plans, expected to parallel the County's agreement. The 401(0) plans from both the Courts and County, previously not overseen by the Committee, require further review. The discussion highlighted the need for clear communication across all plans, especially concerning potential impacts on the 457 Plan. The

Committee is looking to expand the online financial planning services, primarily managed by Lauren Ryan from Nationwide. Emphasis was placed on clarity, proper governance, and up-to-date contracts.

The Committee delved into the intricacies and clarifications surrounding County service agreements, particularly concerning retirement and investment plans like 457, 401A, and 401B. Concerns were raised regarding the oversight and responsibility of the Committee, especially considering the Court's involvement and potential implications. The Committee voiced the need for greater clarity in its functions, emphasizing challenges with multiple accounts and contracts. Discrepancies in service agreements and their respective amendments prompted discussions on the historical establishment of certain plans and potential oversight in contract updates. The necessity of clearer documentation became evident. John Steggell noted that he would collaborate with his contracts team for a more thorough review to ensure the new agreement is accurate.

c. Quarterly Performance Report for QE 6/30/2023

Hyas Group offered a comprehensive analysis of the current economic indicators and market trends. The U.S economy is exceeding expectations, with job growth decelerating but unemployment remaining low. There has been a trend where newer hires are receiving marginally lower wages compared to their counterparts hired a year prior.

On the Inflation front, the Consumer Price Index (CPI) has seen numbers closer to 4%, exceeding the Fed's target. Nevertheless, the current CPI combined with the stable economy might lead the Federal Reserve to consider a pause interest rate hikes. The bond market is underperforming due to anticipated drops in interest rates not coming to fruition. The stock market remains on an upward trajectory. The S&P 500 has registered a near 17% growth year-to date. While there has been a 5% decrease in earnings, these figures still align with or surpass market expectations. Notably, the resilience in the stock market can be largely attributed to influential large tech companies, which have consistently outperformed other sectors.

Consumer behavior analysis revealed the pivotal role of discretionary spending, which continues to drive the market. However, caution was advised, given the discernible rise in credit card debt and delinquencies.

Globally, China's economic momentum is experiencing a slowdown. Diminished consumer sentiment, coupled with conservative spending patterns are cited as significant factors. Other international markets are mirroring the US in combating inflation challenges, reflected in the raising of interest rates.

Lisa Hatt shared feedback she and Lauren Ryan from Nationwide have been receiving from employee participants. Employees are wanting more investment options. The Committee contemplated introducing a money market fund to the options available, but there are concerns about how funds would transition between accounts and the associated equity wash. The Committee also expressed concern about participants making rash decisions based on volatile market conditions. The Committee's main goal is to protect participants from making financial choices that may be detrimental in the long run. Additionally, governance issues arise concerning the Committee's role and the need for more options for PST participants. After discussion, no action was taken. Further consideration could be given to this topic for the OBRA plans in the

future, but the Committee was comfortable that alternatives exist through the SDBA for the two full-time plans.

There is currently a balance of over \$100,000 in an administrative expense account. The strategy or formula for distributing these funds isn't clear. In the past, it seems the practice was to let the amount accumulate until it reached a considerable sum before distribution to participants. With over \$100,000 currently in the account and the implied effective cost-saving measures, the balance is anticipated to grow.

d. Fund Review (ACTION)

i. Schroder US Small Mid Cap Trust

The Schroder US Small Mid Cap Trust is on watch due to performance-related parameters. An examination of the plan's history showed the fixed income total allocation is 20.12%, slightly down from the previous quarter, largely because of a rally in equity markets. Major contributors to this rally were large cap technology companies, especially those specializing in artificial intelligence. For several years, the allocations have remained largely consistent, and most participants tend not to move their money often. This option again posted policy compliant performance at quarter-end, but compliance remains tenuous as it is just slightly ahead of the policy benchmark and still behind the median peer. Hvas is encouraged that Schroeder has posted relatively strong numbers since the initial watch status was initiated and is willing to continue being patient as we expect performance to improve. The Schroeder Small/Mid Cap Equity Trust remains on watch status. Mr. Davidson will report on bond fund recommendations at the next meeting.

ii. Consideration of watch action for MetWest Total Return Bond

The Metropolitan West Total Return Bond fund recently lost two of its founding members. Given this significant change, Hvas recommended the Committee put the fund on watch status and consider other manager options. Hvas Group will report back on the results of the bond manager search at the next Committee meeting.

MOTION by Lisa Hatt to add MetWest Total Return Bond to watch list

SECOND by Dan Eilerman

AYES: ALL

e. Legal and regulatory updates

Jayson Davidson discussed the challenges surrounding the SECURE Act 2.0 provisions, with a primary focus on the Roth deferral requirements for employees over 50 earning above \$145,000. This mandates contributions into a Roth bucket, which has generated widespread concern within the industry. There's a broad sentiment that due to legislative timelines and the provision's revenue-generating nature, clarification may not emerge until December, with implementation expected by January 1 regardless of further directives. Recordkeepers, likely including Nationwide, are making assumptions to prepare for this eventually. The ability of payroll systems to manage this new Roth provision was also discussed, with indications of ongoing preparations, but potential challenges anticipated. Additionally, discussions touched on legal issues related to Blackrock, where some lawsuits, believed to be driven by plaintiffs'

attorneys, focused on fiduciary responsibilities and fund underperformance. Most of these lawsuits settle before reaching any conclusion.

f. Review and consider the approval of recommendation to add Vanguard Target Retirement Date 2070 Trust and Mutual Fund

The Committee reviewed the fund options allocations. The current investment lineup offers target date funds in five-year increments, with the 2065 fund being the longest option. Vanguard has now introduced a 2070 fund. The recommendation presented by Jayson Davidson was to include this new 2070 fund in the investment lineup to complete the series. It was also noted that there's a distinction between the products chosen; the 457 plan utilizes Vanguard's commingled Investment Trusts (CIT) due to its cost-effectiveness, whereas the Court's plans use the mutual funds because the necessary paperwork for CIT was not completed.

MOTION by Dan Eilerman to add Vanguard Target Retirement Date 2070 Trust and Mutual Fund to the investment lineup

SECOND by Lisa Hatt

AYES: ALL

Christina Cramer left the meeting after the final vote(item f) at 2:59 p.m. prior to the Quarterly Performance Update from Hyas

Stephen Raab left the meeting at 3:57 p.m. towards the end of Hyas's presentation

7. Nationwide Retirement Solutions

a. Quarterly Summary Report And Updates For QE 6/30/2023

John Steggell, the Relationship Manager from Nationwide, provided the standard Plan report. He noted that the 457 Plan has been cashflow negative for several quarters after being positive one year ago. The rolling five quarter average for contributions was \$4.5 million and for distributions it was \$4.7 million. Mr. Steggell informed the Committee that the participation rate for the 457 Plan increased from the prior quarter's 59% to 62%. He also noted that 60% of new money is being deferred into the 457 Plan's target date fund alternatives.

b. Virtual Benefits Booth Fair

Mr. Steggell discussed the virtual booth aimed at enrolling people to renew their interest and investments. The initiative is in its third or fourth year. There's a promotional flyer in the works which will be distributed to employees to raise awareness. Additionally, there will be a link to the booth on a website. The tentative dates for the initiative are from October 9th to November 5th, although there is uncertainty about the exact dates. Delays in discussions may push the start date by a week, but as of now, October 9th is the target date.

c. Second Quarter Participant Seminars

John Steggell reported that Lauren Ryan, the onsite representative, conducted 30 onsite appointments and 66 virtual appointments. About 60% of her interactions are for new enrollments. There were also 4 group webinars held during the quarter.

8. Items for Future Agendas

- Schedule 2024 Committee Quarterly Meetings
- Search for a Total Return Bond Manager
- Report on Nationwide's Virtual Booth Fair

9. Upcoming Meetings

The next quarterly meeting is scheduled for November 16, 2023; 2:30-4:00 – Regular Meeting (Civic Center, Room 324-A)

10. Adjournment

The meeting adjourned at **4:14 p.m.**