

## Minutes

**MARIN COUNTY DEFERRED COMPENSATION COMMITTEE**  
Marin County Civic Center, 3501 Civic Center Drive Rm. 410-B  
San Rafael, CA

**Thursday, January 11, 2024 - 2:30 p.m.**

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### 1. Call to Order

Chair, Mina Martinovich, called the meeting to order at 2:30pm

### 2. Roll Call

Present: Mina Martinovich (Director of Finance); Dan Eilerman (designated alternative to the County Executive); Jeff Wickman (Retirement Administrator MCERA); Stephen Raab (designated alternative to County Counsel); Christina Cramer (Director of Human Resources); Katie Gaier (Marin County Retiree Representative); Jia Chan (Marin County Superior Court)

Absent: Lisa Hatt (Active Employee Representative); Shanea Thompson (MAPE-Represented Active Employee Member)

Others in Attendance: Jayson Davidson (Managing Principal, Hyas Group); John Steggell (Executive Relationship Manager, Nationwide Retirement Solutions); Lauren Ryan (Retirement Specialist, Nationwide Retirement Solutions); Terryn Dinh (Committee Staff, Department of Finance); Jen Mendoza (Committee Staff, Department of Finance)

### 3. Approval of Minutes – Meeting of August 24, 2023 (ACTION ITEM)

MOTION by Dan Eilerman to approve the Minutes of August 24, 2023

SECOND by Katie Gaier

AYES: ALL

### 4. Open Time for Public Comment

None

### 5. Deferred Compensation Committee Matters

- a. Amendment to Nationwide Administrative Services Agreement, effective January 1, 2024 through December 31, 2028, approved by County Board of Supervisors on November 7, 2023.

Mina Martinovich reported to the Committee that the amendment to the Nationwide Administrative Services Agreement was approved by the Marin County Board of Supervisors on November 7, 2023. The contract amendment (renewal) went into effect as of January 1<sup>st</sup>, 2024, with a term of December 31, 2028.

- b. Consider and take possible action to approve proposed Committee Meeting Schedule for 2024 (ACTION ITEM):
- Thursday February 15, 2024; 2:30 p.m.
  - Thursday May 23, 2024; 2:30 p.m.
  - Thursday August 22, 2024; 2:30 p.m.
  - Thursday November 21, 2024; 2:30 p.m.

MOTION by Jeff Wickman to approve the 2024 meeting schedule.

SECOND by Dan Eilerman

AYES: ALL

## 6. Nationwide Retirement Solutions Report to Committee

*\*\*This item moved up on the agenda from original posting\*\**

### a. Quarterly Summary Report and Updates for QE 9/30/2023

John Steggell (Nationwide), provided the standard quarterly plans report. The rolling five-quarter cash flow analysis continues to show the Plan as a cash flow negative with distributions outpacing contributions consistently. The Plan's participation rate remained at approximately 62%. Mr. Steggell noted that Roth activity continues to increase.

Lauren Ryan (Nationwide) provided the Committee an update on her on-site service activity. She conducted 35 on-site appointments and 58 virtual appointments. She also conducted two group webinars during the quarter.

Ms. Ryan noted that through these appointments, she noted some of the concerns from Plan participants was the desire to convert from traditional contributions to Roth. Ms. Ryan advised that the Roth conversion is unavailable because the feature needs to be "turned on." Jayson Davidson (Hyas Group) advised that there is no reason to not have the Traditional to Roth conversion within the 457 plan. He stated that there is uncertainty about why the feature was not "turned on" initially. This would be a plan design change, but there should be no payroll implications. Mr. Davidson advised he would follow up with Nationwide for clarification on what steps are needed to get an in plan Roth conversion feature added to the 457 plans, and to assess why the provision had not yet been added. Mr. Davidson advised that he would report back to the Committee as warranted.

Ms. Ryan also indicated interest in conducting meetings at different county campus locations. The County is to provide a list of locations and contacts for her to set those up.

## 7. Hyas Group Report to Committee

### a. Quarterly Performance Report for QE 9/30/2023

Jayson Davidson (Hyas Group) presented to the Committee the Third Quarter 2023 Performance Report ending September 30, 2023, and discussed general market and economic condition, noting that they remain in a somewhat similar pattern to the prior quarter, with surprising U.S. economic

resilience in the face of higher interest rates and increasing geo-political turmoil. Unemployment held steady and there is a declining trend in inflation. Broader economic stability contributed to a favorable market environment. Recent inflation numbers are exceeding market expectations, there is uncertainty regarding the timing and extent of rate cuts in 2024. Markets faced challenges in the third quarter with interest rates climbing. The equity markets had poor performance in the third quarter due to rising interest rates. There was a substantial positive turn-around in the fourth quarter, with the S&P 500 up almost 12%. International markets also had a challenging third quarter with high interest rates. International markets' performance in the fourth quarter was up. The third quarter earnings cycle concluded with not much appearing to unsettle markets, and we are now on the cusp of the fourth quarter earnings and focus on whether corporate margins will continue to be resilient as the inflation and general economic growth dynamics play out.

Mr. Davidson provided a plan overview. Stephen Raab noticed a discrepancy between the Hyas report and the Nationwide report. Mina Martinovich determined that the difference reflected the Superior Court being separated out on the Nationwide Report. Mr. Davidson confirmed their data comes from Nationwide and that for future reporting purposes, Hyas will work with their reporting group and consult with Nationwide about making the reports more consistent across the two firms' presentations and may look to consider removing redundancies and making better use of the Committee's time regarding the two agenda sections.

b. Fund Review

- i. Schroder US Small Mid Cap Trust – Consider and take possible action to remove from watch status (ACTION ITEM)

The Schroeder Small/Mid Cap Equity Trust Fund was placed on watch for performance in violation of investment policy parameters. The end of the third quarter marks several consecutive quarters of posted performance back in compliance with policy. Mr. Davidson advised that Hyas was now comfortable with the Schroeder funds' performance position and recommended the Fund be removed from watch.

Jeff Wickman opened discussion about this item, noting that the third quarter performance for Schroder was 11%, in contrast to the index of 13%. Schroder was benched to the Russell 2500 benchmark. The index reported was the Vanguard Extended Market Index. Ten days into 2024, Schroder was still above the benchmark and the peer group on the five-year policy period. Mr. Wickman further posted the question about the fee decreasing at the same time as the review for removal from the watch list and whether that would pose a concern. Mr. Davidson indicated that Schroder lowered the fee to be generally more competitive in the Mid Cap market.

Mina Martinovich requested clarification that the Schroder Fund meets the qualitative and quantitative guidelines to take the investment off the watchlist. Hyas confirmed that the fund must meet compliance for two quarters to be considered for removal from the watchlist. This

has met compliance the last three quarters. Hyas advised that there is no harm in leaving the fund on watch for another quarter.

Motion by Mina Martinovich to remove Schroder US Small Mid Cap Trust

There were no seconds. Discussion ensued regarding concerns that the reduced fee may skew the numbers favorably. Hyas confirmed that the recommendation was based on the third quarter numbers that don't reflect the fee reduction. Discussion of removing a fund from watch, means that it can go back on watch and whether that means that it will restart. Hyas advised the performance concerns were about midcap holdings did not do particularly well in the 2022 period. 2020 was the period that threw them into a position of bad performance. They had positioned the portfolio too conservatively coming out of the pandemic. Ms. Martinovich withdrew her motion. This item will be considered at the February 15<sup>th</sup> meeting.

ii. Schroder US Small Mid Cap Trust Fee Reduction

Mr. Davidson reported to the Committee that Schroder's announced a 15-basis point fee reduction for the Small Mid Cap funds. This was implemented in the fourth quarter and will be reflected in the next performance report.

iii. MetWest Total Return Bond – Remain on watch, consider taking possible action to terminate investment option and reallocate assets to a replacement investment option.

Hyas reported that the Metropolitan West Fund was placed on watch last quarter due to personnel and leadership changes, where it was indicated that the Committee would be reviewing alternatives to this option in the Intermediate Term Bond asset class. The Committee will hold the watch status on this fund until the Committee has taken action on any replacement, and the ensuing transition.

c. Update on Vanguard Target Retirement Date 2070 Trust and Mutual Fund implementation

Mr. Davidson informed the Committee that the Vanguard Target Retirement Date 2070 vintage had been made available to Plan participants as of December 8<sup>th</sup>. The inclusion of this additional vintage to the target date series will be reflected in the next quarterly performance report.

d. Review Total Return Bond Manager Search Report for possible replacement of MetWest Total Return Bond Fund (ACTION ITEM)

Mr. Davidson presented to the Committee the Intermediate Term Bond Manager Search Report for evaluation of possible replacement of Metropolitan West Total Return Bond Fund. After presentation of the report and discussion, the Committee did not take action. The discussion and decision will be revisited at the next quarterly meeting.

e. Legal and Regulatory Updates

\*\*\*Dan Eilerman left at 3:54pm\*\*\*

Mr. Davidson reminded the Committee of the IRS's recently announced 2024 plan deferral limits. In particular, the 457 plan contribution limit will increase from \$22,500 to \$23,000. The age 50 catch-up limit will remain at \$7,500.

**8. Items for Future Agendas**

- a. Discuss Roth in-plan conversion feature.
- b. Discuss Roth assets loan feature.
- c. Consider taking possible action to remove Schroder US Small Mid Cap Trust from watch status.
- d. Consider taking possible action to terminate MetWest Total Return Bond investment option and reallocate assets to a replacement investment option.

**9. Future Meetings:**

The next quarterly meeting is scheduled for Thursday February 15, 2023; at 2:30 p.m. (Civic Center, Room 410-B)

**10. Adjournment**

The meeting adjourned at **4:13pm**.