

SAN JOAQUIN COUNTY DEFERRED COMPENSATION ADVISORY COMMITTEE
MEETING MINUTES

Thursday, January 25, 2024; 10:00 a.m.
County Administration Building, Room 146

MEMBERS:

Present: Jennifer Goodman, Chair

Paul Canepa
Jeff Woltkamp
Jason Whelen
Steven Hopkins

Absent: Jay Wilverding

Kathy Herman
Phonxay Keokham

OTHERS:

Erin Sakata, Deputy County Counsel
Michael Ormsby, County Employee Benefits Manager
Christine Vega, County Benefits Personnel Analyst
Shundel Graves, County Benefits Personnel Analyst
Donna Strange, County Administrative Support
John Steggell, Executive Relationship Manager, Nationwide
Brenda DeVecchio, Retirement Specialist, Nationwide
Vincent Galindo, Senior Consultant, Hyas Group

The meeting was called to order by Jennifer Goodman, Committee Chairman and Plan Administrator as the Director of Human Resources.

Ms. Goodman took a moment to introduce new Advisory Committee Member, Sgt. Jason Whelen, as an employee representative; and Mr. Michael Ormsby, the County Employee Benefits Manager. Both took a moment to say hello to the Committee.

Approval of Minutes

The Committee approved the Minutes from the last Advisory Committee meeting of October 26, 2023, with a vote of 5-0. (Motion: Canepa; Second: Hopkins).

Public Comment

There was no public comment.

Fourth Quarter 2023 Nationwide Program Status Report

Mr. John Steggell presented an overview of the 2023 Nationwide Fourth Quarter Report, which included the following:

- Plan began the quarter at just over \$513M and ended the quarter at about \$543M, an increase of almost \$30M. This included both the 401a and 457b accounts.
- Overview of 457b account indicates 199 new enrollments in the plan, and a total of 6,905 participants.
- 3,716 participants are contributing to the 457b account.
- The Self-Directed Brokerage Account (SDBA) added 3 new participants in the fourth quarter, bringing total participants to 13. The balance stands at \$2M with a quarterly increase of approximately \$1.6M.
- The 457b fourth quarter loan count went up by 44 new loans, bringing the number of active loans to 291. The average loan balance is \$10,156. This number is 'in line' with other large accounts.
- 70% of plan participants have online accounts and 56% of those interact with their account online; 25% of new enrollment is done online with the rest using paper forms; and 64% of distributions are also done online.

Ms. Brenda DeVecchio of Nationwide shared with the Committee that she is expanding the county departments that she is meeting with, including Behavioral Health and Human Services Agency. She has also made contact with someone from Probation and plans to do additional outreach to their office, and hoping to meet with the Sheriff's office as well. Appointments at the Administration Building will also be forthcoming.

Brenda’s northern California team did a seminar series in December to close out the year, which was well attended. Many of these take place during the lunch hour, with good participation (132 participants). Brenda also shared that Nationwide did a marketing push for rollovers so that people know that they can bring their money in and not lose track of it. Flyers coming out soon will focus on enrollment.

Chair Goodman commented that Nationwide may want to try to capture the higher number of employees that typically retire in March, to keep them engaged in the County’s plan.

Fourth Quarter 2023 Performance Report – Hyas Group

Mr. Vincent Galindo from Hyas Group presented the overview of the 2023 Fourth Quarter Report.

- An indicator of the health and activity of the economy is the Gross Domestic Product (GDP). A 2% - 3% growth rate is viewed as a ‘goldilocks economy’ meaning not too hot, not too cold; and over the preceding year, that is what was seen. The 3rd quarter number was just under 5%, and the report for January 25th, showed 3.3%, so, really strong from an economic standpoint. Mr. Galindo continued, saying that the American consumer drives about two-thirds of the growth rate in the economy, but we are seeing a weakened or fatigued consumer because of a shift from buying things and services using money in bank accounts to tapping into retirement accounts and using credit cards. Debt for Americans is building up.
- Aggressive interest rate hikes to try to cool down the economy, brought a drop in the Consumer Price Index (CPI) to 3.5%. Mr. Galindo went on to state that the interest rate hikes are *probably done*. He said when the Federal Reserve meets in March, we may see a rate decrease (a 50/50 chance of rates dropping).
- The Bond Market is up over 7% in the last quarter, bringing the 1-year total to 5.53%.
- The US Stock Market had a huge rebound last year and for last quarter is up 11.7%, bringing the 1-year number up to 26.3%.
- The International Market Data was up almost 10% for the quarter, bringing the 1-year number up to just under 16%.
- The money market fund that was added on November 10, 2023 has a spot yield of just over 5%. Participants now have access in the San Joaquin County plans with the higher yielding money market fund to compete with outside credit unions and banks that are offering saving accounts, money market funds and CD’s that are paying 4.5%-5%.
- The Federal Reserve is set to lower rates in the spring of 2024, so money market yields will likely drop to under 4% toward the end of the year.

Hyas Group is proposing two fund changes:

- 1) Metropolitan West Total Return Bond Plan – Replacement fund recommended due to significant management changes. Hyas has search documents for review.
- 2) TIAA-CREF High Yield Inst (Junk Bond Fund) – Consideration of replacements at the next quarterly meeting due to mediocre performance and managers that will be leaving. A search document has not been prepared for this fund yet.

Mr. Galindo suggested the Committee consider whether to have movement on these today, which would mean a fund change and a fund add for the first item; or wait until the next meeting and be prepared to do all three by making a decision for one fund change that contains two fund changes as well as a fund add.

Review of International Index Fund Search Document and Intermediate Term Bond Fund Search Document

A motion was made to continue the action items about fund changes and the added fund to the next quarterly meeting and handle all decisions at the same time. The motion passed with a vote of 5-0.

(Motion: Canepa; Second: Woltkamp)

Legal and Regulatory Updates

Secure 2.0 – The first day of month rule has been removed and the Required Minimum Distribution (RMD) age has been moved out. Nationwide is working hard to record-keep other optional provisions of this, including student loan debt. This will be brought back to the Committee as details become available.

Virtual Event Center Summary

John Steggell suggested that this be moved to the next meeting agenda as he just received updates from his marketing team the morning of this meeting. The Committee agreed.

P&I Eddy Award Winner

John Steggell announced that San Joaquin County won a Pension & Investment Eddy Award. He stated he will share more information regarding this award at the next quarterly meeting in April.

Comments from Committee Members

There were no comments from the Committee members.

Next Meeting is scheduled for Thursday, April 25, 2024, at 10:00 a.m. in Room 146 of the County Administration Building located at 44 N. San Joaquin Street, Stockton, CA.

Meeting was adjourned at 11:30 a.m.