



**SAN JOAQUIN COUNTY DEFERRED COMPENSATION ADVISORY COMMITTEE  
MEETING MINUTES**

Thursday, October 24, 2024; 10:00 a.m.  
County Administration Building, Room 146

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**MEMBERS:**

**Present:** Jennifer Goodman  
Kathy Herman  
Jason Whelen  
Paul Canepa  
**Absent:** Sandy Regalo  
Jeff Woltkamp  
Phonxay Keokham  
Steve Hopkins

**OTHERS:**

Kimberly Johnson, County Counsel  
Christine Vega, County Benefits Personnel Analyst  
Shundel Graves, County Benefits Personnel Analyst  
Donna Strange, County Administrative Support  
Vincent Galindo, Senior Consultant, Hyas Group  
John Steggell, Executive Relationship Manager, Nationwide  
Brenda DeVecchio, Retirement Specialist, Nationwide

The meeting was called to order at 10:03am by Jennifer Goodman, Committee Chairman and Plan Administrator as the Director of Human Resources.

**Approval of Minutes**

The Committee approved the Minutes from the last Advisory Committee meeting of July 25, 2024, with a vote of 4-0. (Motion: Herman; Second: Canepa).

**Public Comment**

There was no public comment.

**Program Status Reports: Third Quarter 2024 - Nationwide**

Mr. John Steggell of Nationwide shared the J.D. Power Customer Satisfaction Ranking Report which indicates that Nationwide finished 2<sup>nd</sup> overall for customer satisfaction.

He also presented an overview of the 2024 Nationwide Third Quarter Report, which included the following:

The overall plan summary saw a \$25.4M gain for the 3<sup>rd</sup> quarter, showing an ending balance of just over \$608.4M balance at the end of September.

**457B Plan**

- The 457 plan finished the quarter with 7,365 participants with an average participant balance of \$78,568.
- Roth usage is gaining in popularity. There are 1,158 participants with an average Roth account balance of \$7,531, and overall plan assets of \$8.7M.
- Optional strategies include the Schwab Personal Choice Retirement Account (PCRA) a Self-Directed Broker Account (SDBA). Currently there are 13 participants with an average participant balance of \$176,626.
- 52% of assets are in a target date fund.
- There are 335 active loans with 34 being new loans. 16 loans were closed. The active loan balance amount is \$3.1M.
- 3<sup>rd</sup> quarter ending balance of the 457B account is \$576.3M.

**401A Plan**

- The 401 plan has 144 participants with an average participant balance of \$222,661. There were 3 new enrollments for this quarter.
- 3<sup>rd</sup> quarter ending balance of the 401A account is \$32M.

**Secure 2.0 Act Provision 328**

Brenda DeVecchio outlined two pieces of the Secure 2.0 Act:

The first item is the option for Public Safety to have an in-plan withdrawal option available to them at age 50. Ms. DeVecchio explained that while the County has always allowed age 59 ½ distributions for employees that are in service, it creates a challenge for Public Safety personnel who retire at age 50. Public Safety personnel who want to come back are put into the situation where they cannot then draw from the 457 plan because they are working per diem or part time, or perhaps forces them to move their money elsewhere so they can have access to it. The age 50 withdrawal option would give them the option to retain the 457 plan and all the benefits specific to Public Safety.

A motion was made to approve Secure 2.0 Act Provision 328 for San Joaquin County, and passed with a vote of 4-0. (Motion: Canepa; Second: Herman)

The second item is a health provision for Public Safety that pays \$3000/year tax-free, to retirees for the use of health insurance. In its current form, a check must be sent directly to Kaiser or Blue Cross/Blue Shield, and unless the check has the member number on it, it gets lost in the system. With approval, the check could be sent directly to the retiree to manage. Ms. DeVecchio considers this a win-win situation.

A motion was made to approve the health provision and the motion passed with a vote of 4-0. (Motion: Canepa; Second: Whelen).

Ms. DeVecchio also introduced a question that was brought to her by a manager close to retiring, wanting to know if Nationwide offered an investment option that offers payout on their money, guaranteed for the remainder of their life. What additional option could Nationwide offer as a reason for employees to stay in the plan, that would benefit them? She brought the Income America 5ForLife collective investment trust (CIT) before the Committee for their awareness. Mr. Steggell continued the overview of this item saying that there is risk and there’s always going to be risk; it’s about how the product is created. Income America is Nationwide’s simplest and most popular product. It pays 5% for life regardless of market fluctuation. This is a very specific product for a very specific person. The plan is a target date fund and it is set up for a retiree that wants another form of lifetime income; rather than for the 25 or 45-year old person who wants to be in the stock market. The plan starts at age 65 and pays 5% forever. It is designed to conserve assets. There is balance protection and there is no penalty to reverse out of the plan.

The committee asked if this is the best option to offer? The response was that it is the easiest to understand. There are other options, but Nationwide did not have information on them in time for this meeting.

The committee asked for additional information on other options and asked that an agenda item be placed on the next meeting agenda for review of the product(s).

**Third Quarter 2024 Performance Report and Review of the Real Estate Fund Manager Search Document – Hyas Group**

Mr. Vincent Galindo from Hyas Group presented the overview of the September 30, 2024 Report, sharing that the markets continue to rally, especially in the stock market.

Moving into the report he outlined:

- The unemployment rate currently sits at 4.2% nationally, and the county’s unemployment rate is at 6.8%.
- The consumer price index is 2.4%.
- Future markets indicate an interest rate cut in November and perhaps another in December.
- The bond market was phenomenal for the quarter.
- The S&P 500 continues to beat records; it is up 5.9% for the quarter, and up 22% YTD.
- The International Market (ACWI) also shows quarterly growth of 8%; and the YTD number at 14.25%.

Mr. Galindo also touched on the 457 and 401 Plan Overview / Executive Summary providing the following:

- A search document will be presented for the real estate investment trust class;
- The Met West and the Nuveen High Yield Funds were replaced in mid-July;
- He would like to talk a bit about the mutual fund version vs. CIT's;
- The Investment Policy Statement was updated; and
- Recommendation for MFS Midcap Growth Fund to be placed on watch status due to under-performance.
- Recommendation to replace the Invesco Real Estate fund.
- The 457 Plan was up 4.5% for the quarter; almost 21.5% over 3 years, and over 8.5% over 5 years, which he felt was impressive.
- The 457 Plan ended the quarter with \$576.3M.
- The 401 Plan ended the quarter at \$32M.
- Fees for the 457 and 401 plans are getting lower over time.

Mr. Galindo pointed out a new chart that was added to the report: Administrative Account Summary, which will give the Committee a look at quarter-to-quarter changes. The chart includes the quarterly starting balance, contributions, distributions and an ending balance.

A motion was made to place the MFS Midcap Growth Fund on watch status due to under-performance, and the motion passed with a vote of 4-0.

(Motion: Herman; Second: Canepa)

Mr. Galindo pointed to the earlier mention of potential replacement of the Invesco Real Estate Fund stating that Hyas Group selected some potential fund replacements: The DFA Real Estate Securities I Fund, the Principal Real Estate Securities 1 Fund, the Vanguard Real Estate Index Adm Fund and the Vanguard Mid Cap Index Instl Fund, with commentary of each. The Real Estate Manager Search Report included performance ratings, risk factors and returns for each fund.

After discussion within the Committee, a motion was made to terminate the Invesco Real Estate Fund and passed with a vote of 4-0.

(Motion: Whelen; Second: Herman)

Following discussion within the Committee, a motion was made to add the DFA Real Estate Securities Fund and passed with a vote of 3-1.

(Motion: Herman; Second: Canepa)

**Discuss Moving From the Mutual Fund to Collective Investment Trust Version of Target Date Funds**

Mr. Galindo gave a brief overview of this agenda item by sharing a document outlining benefits of adding a CIT fund:

- CITs are not new, however more and more mutual fund companies are offering them;
- The benefits of using a CIT investment strategy is mainly cost:
  - Potential savings of approximately \$65,000. He presented a chart illustrating the cost difference of mutual funds vs. CITs within the San Joaquin County 401(a) and 457 plans.
- There are potential disadvantages as well:
  - CITs are not registered with the Securities and Exchange Commission (SEC). Though they may appear to be less regulated, they are strictly overseen by the Office of the Comptroller of the Currency and subject to a variety of federal and state laws and regulations. CIT's must comply with certain IRS rules.
  - There are no ticker symbols with CITs. Instead, there is a quarterly fund fact sheet.
  - There is a relative newness in the defined contribution world and operational hurdles (added paperwork for the plan sponsor).

After discussion within the Committee, a motion was made to approve the recommendation to move to the Collective Investment Trust (CIT) version of the T. Rowe Price target date funds. The motion carried with a vote of 3-0-1. (Motion: Canepa; Second: Herman; Abstention: Whelen).

**Calendar Meeting Dates**

Due to the County’s meeting dates falling relatively close to the end of the quarter, the Committee was asked to consider later dates to the Quarterly Deferred Compensation Meetings to give more time for reports to be put together and to give the Committee time to review the reports in advance of the meetings.

The committee voted 4-0 to move the meeting dates to the months of February, May, August and November beginning in 2025.

(Motion: Canepa; Second: Herman).

**NAGDCA Debrief**

Based on the length of the meeting, the Committee agreed to move this item to the next meeting Agenda.

**Comments from Committee Members**

Thanks to Brenda DeVecchio and Nationwide for their availability.

**Next Meeting** Based on the voted upon new schedule for quarterly meetings, the next meeting is scheduled for Thursday, February 27, 2025 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 12:05 pm.**

Respectfully Submitted,

Jennifer Goodman  
Committee Chair and Plan Administrator  
JG:dms