



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

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

MEMBERS:

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

OTHERS:

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

The meeting was called to order at 10:06am 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: Canepa; Second:Keokham).

Public Comment

There was no public comment.

Program Status Reports: Second Quarter 2024 - Nationwide

Mr. John Steggell presented an overview of the 2024 Nationwide Second Quarter Report, which included the following:

\$9M in contributions combined with distributions, fees, loans and other activity brought the combined accounts (457B & 401A) to an ending balance of \$581.5M as of June 30, 2024.

457 Account Updates:

- The 457 account had 283 new enrollments for the quarter, and now has 7,233 participants, with an average participant balance of \$76,528.
- In the first six months of the year, there were almost 500 new participants enrollments!
- 52% of the plan assets are held by employed participants; 47% held by terminated/retired participants. Mr. Steggell stated the importance of trying to keep those who have left employment invested in the Nationwide plan.
- 4,027 participants contributing to the Roth plan.
- Asset Funds are diversified.
- 330 Active Loans (57 new loans and 16 closed loans). Average loan balance is approximately \$9,000.
- 90% participants have beneficiaries on file.

401 Account Updates:

- \$30M in 401A plan with 142 participants.
- Average participant balance is \$212,778; a healthy average balance.
- 57 participants contributing.

With regard to online enrollment, Ms. Brenda DeVecchio of Nationwide shared with the Committee that she electronically sends an easy enrollment form to employees as part of the New Employee Orientation (NEO) presentations. The easy enrollment has a 60-day period to enroll or let it expire. The easy enrollment is another avenue for participation.

Brenda has visited and engaged with employees at the Sheriff’s Office, San Joaquin General Hospital, Public Works and the Landfill. She is working to get to Public Health Services and other departments. Brenda continues the quarterly seminar series as well.

John Steggell also briefly shared the 6/30/2024 Schwab Personal Choice Retirement Account Quarterly Report with the Committee:

- Roughly \$2.2M Deferred Comp money being held in the Schwab PCRA Account.
- 13 Accounts with an average balance of \$172,089.
- Average participant age is 62.

Secure 2.0 Act Update

John Steggell updated the Committee with some provision updates to the Secure 2.0 Act, none of which are mandatory ‘yet’.

- The first provision increases the catch-up limit for individuals who have reached age 60, 61, 62, and 63 by the end of the taxable year. The new maximum contribution limit for individuals in the 4-year age window will be 50% more than the regular catch-up contribution maximum, effective in 2025.
- Currently, Public Safety employees, once retired, have the opportunity to use up to \$3,000 of pre-tax money in the 457 plan to help cover health insurance without paying income tax on that money. As the code is set up now, Nationwide is responsible for sending that money to the appropriate recipient (ex: Kaiser) but there have been some glitches with that procedure due to incomplete information for the payment (ex: Kaiser number). The Secure Act has created an optional provision in which, if approved by the County, Nationwide can send that money directly to the retired employee. A request from the County would be needed to adopt this provision, and the Committee has agreed to place this on the next meeting Agenda.
- To address a long-standing issue for returning public safety officers who have fully retired and might choose to come back to work part time or per diem but are then challenged by being locked down for deferred comp withdrawal opportunities after full time separation, is legislation that would allow, through adoption of the provision, an age 50 in-service withdrawal for public safety officers while actively working. The Committee has agreed to bring this item back for placement on the next meeting Agenda.
- The IRS now allows hardship self-certification, so Nationwide is ready to administer this as another optional provision. Participants can take a hardship for unforeseen circumstances. This also would need a request from the County to be adopted. The Committee will consider this and perhaps bring it back at a future meeting.

Fiduciary Rule

Vincent Galindo presented this item to the Committee sharing some history of the Fiduciary Rule, and stating that the rule is being challenged in court at both the judicial and legislative branches. He stated there is more information to come on this.

Second Quarter 2024 Performance Report – Hvas Group

Mr. Vincent Galindo from Hvas Group presented the overview of the June 30, 2024 Report, sharing the following:

- GDP (Gross Domestic Product) has been steady since 2022, which has produced a “Goldilocks Economy (not too hot, not too cold).” GDP is at 2.8% as of July 25, 2024.
- There may be two and possibly three potential interest rate decreases this year.
- The Unemployment Rate has been below 4% for two years. The County unemployment rate is 5.5%.
- Nice returns on the high-yield index, with the Bloomberg US High Yield being the shining star of the fixed index. It shows a quarterly rate of 1.09% and a YTD rate of 2.58%. The 1-year figure is up 10.44%!
- The S&P 500 and Dow Jones Industrial average stock indexes are setting records, driven mostly by technology, and specifically by the AI market. The S&P is up 17.5% YTD.

- ACWI (All Country World Index) shows quarterly growth of 0.96%; a YTD figure of 5.69% and a 1-year mark of 11.62%.

Mr. Galindo touched on the 457 and 401 Plan Overview / Executive Summary, discussing the On Watch Funds and provided the following update:

- As agreed upon at the April 25th meeting, The Metropolitan West Total Return Bond Plan was replaced with the Dodge & Cox Income, and Nuveen High Yield Fund was replaced by American Funds, both replacements effective July 12, 2024.
- The T. Rowe Price Large Cap Growth that had been on watch has been in compliance for the last two quarters. Hyas recommends that it be removed from the watch list.
- Hyas recommends that the Invesco Real Estate Fund be retained on watch but consider replacing at the next meeting after looking at a search document.

A motion was made to remove the T.Rowe Price Large Cap Growth Fund from watch status due to significant recovery, and the motion passed with a vote of 4-0.

(Motion: Keokham; Second: Canepa)

A new report was added as part of the Quarterly Hyas report; the Administrative Account Summary. This report is an accounting of plan related expenses that can be used by the County for things such as legal fees, auditing, consulting, the NAGDCA conference, etc. The Committee can review what expenses are going out.

Comments from Committee Members

- It was requested that Hyas / Nationwide look for a way to provide the Committee with a rate of return on the investments in the County's portfolio.
- There was commendation of Brenda DeVecchio for taking the time to go out to the county landfill. It is appreciated that all employees are being treated equally.

Next Meeting is scheduled for Thursday, October 24, 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 11:43a.m.