



**Sacramento County
Deferred Compensation Advisory Committee**

Friday, June 14th, 2024

9:30am-11:30am

Minutes

MEMBERS

Present in person: Christoph Dobson, Hang Nguyen, Dalen Fredrickson, Chris Giboney, Maryann Luke, Kim Nava, Sylvester Fadal

Present via MS Teams: N/A

Absent: Dave Irish, Matt Warren, Marlon Yarber, Chad Rinde

Guests: Vanguard: Present via MS Teams: Kassi Stengel-Moore, Geoffrey Crim, Judith Irish

NWCM: Present via MS Teams: Brent Petty, Nicholas Axline

STAFF

Present in person: Alex Leos, Dave Matuskey, Bernard Santo Domingo, Alice Krueger, James Robbins, Ashley Wisniewski

Present via MS Teams: N/A

Absent: May Williams

1. Call to Order and Introductions

Alice Krueger called the meeting to order 9:30am

2. Public Comment

No comments.

3. Approval of Meeting Minutes (Action) March 8th, 2024 (attached)

Christoph Dobson motioned to approve the minutes from the March 8, 2024, advisory committee meeting and Mary Ann Luke seconded. Minutes were adopted. There were no nays or abstentions

4. Comments from the Plan Administrator

No comments.

5. Department of Personnel Services

A. Internal Audit Update

Alice Krueger shared status of internal audit from Department of Finance. Staff are working with auditor to answer all questions that auditor has and providing necessary files for auditor to review.

B. External Audit Status

Alice Krueger shared the update that the contract was signed for the limited scope and an implementation meeting was scheduled. The limited scope includes loan and contribution transactions, including catch-up and Roth transactions. There is a possibility for a multi-year contract in the future.

C. Plan Changes Update

Alice Krueger provided an update to the following plan change implementations:

- *Loan Moratorium- 30-day moratorium going well to close out past loans before starting a new loan.*
- *De Minimis accounts: De Minimis process completed on 4/19/24 and ongoing process established. Fidelity is continuing to process 457(b) and 401l(a) accounts that meet the threshold on an ongoing basis.*
- *Two fund changes effective 4/19/24 to new share classes provide fee savings for participants.*

Alice Krueger informed the committee that the Request for Proposal for deferred compensation recordkeeper was posted on 5/8/24 and submissions due by 6/21/24. Responses will be reviewed and scored, and interviews conducted as needed.

D. Approval (Action) of some optional Secure Act 2.0 provisions

- i. Self-Certification for unforeseen emergency withdrawals

Instead of an application with review process with documentation of an unforeseen emergency, participants would fill out a form self-certifying their situation meets IRS requirements. This would remove

administrative burden and shift liability to the participant. Additionally, the recordkeeper could administer, speeding up the process. Hang Nguyen called a motion to approve the recommendation to the recordkeeper for self-certification of unforeseen emergency withdrawal and Christoph Dobson seconded. There were no nays or abstentions. Provision was approved by Sylvester Fadal.

ii. Domestic Violence Withdrawal

This provision allows for domestic abuse victims to take penalty-free distributions up to the lesser of \$10,000 or 50% of their account balance with a self-certification. They would have up to 3 years to recontribute the amount distributed if they choose to do so. Kim Nava called a motion to approved and Christoph Dobson seconded. There were no nays or abstentions. Provision was approved by Sylvester Fadal.

iii. Recommend age 60-63 catch-up maximum increases

This provision increases the limit on catch-up contributions for individuals ages 60-63 to the greater of \$10,000 or 150% of catch-up amounts and will be indexed for inflation. (2024: $\$7,500 \times 150\% = \$11,250$). Since the 50+ catch-up contribution Roth provision for those making more than a certain amount per year was delayed until 2026, for one year the increased maximum for those ages 60-63 will have a choice of pre-tax or post-tax. In 2026, those in designated incomes will be required to contribute these amounts post-tax. Chris Giboney called a motion to approve which was seconded by Mary Ann Luke. There were no nays or abstentions. Provision was approved by Sylvester Fadal.

These three Secure Act 2.0 provisions will be implemented January 1, 2025, after plan document amendments are drafted and approved by the Board of Supervisors.

6. Vanguard Presentation

A. Discussion regarding Target Retirement Fund

Geoffrey Crim presented Target Date Funds and Trusts Quarter 1 2024 and discussed current market conditions, such as inflation and potential recession. Target date funds have been performing as expected despite market volatility. Inflation has peaked at 3.6% or 3.7%. In the next 18 months going into 2025 there is a high chance of recession. This may be shallower, but longer than expected. Vanguard makes up the largest share of target date funds in the market, then Fidelity and Black Rock. In 2006 the Pension Protection Act established target dates as a default investment

(QDIA). Vanguard has reduced expense ratios and controlled costs. The Board of Directors makes decision not the fund managers. They have been rebalancing their policies and Michael Roach is a new portfolio manager.

Geoffrey reviewed the current glide path design and a shift from more aggressive (stocks) to less aggressive (bonds) over time as one nears retirement. These risk-adjusted returns help keep stability for retirement. They start with 100% equity and strive for the top 50 percentile. They start to derisk from 40 up to 65 and 72. Discussed Required Minimum Distributions. There was a discussion of studying the County demographics for considering a customized glide path due to pension also funding retirement.

7. NWCM-Update (Information/Attachment)

Brent presented the 457(b) Plan Highlights and Key Observations and discussed Vanguard's outlook with the committee. There was a strong first quarter in 2024. The Parnassus fund is slightly below the median, but one ESG fund is required by the investment policy. The JP Morgan Equity Income R6 is the most concerning item on the watch list. And the Metropolitan West Total Return Bond has reached removal criteria.

Reviewed the Core Plus Bond Manager Search. The rising interest rates have been an issue for Metropolitan West Total Return Bond. A recommendation is made to replace the Metropolitan West Total Return Bond with the Baird Core Plus Bond after review of options. This is due to their long tenured management team, strong analyst support, top quartile in peer group rankings, consistent performance, and fees below peer average.

Per the investment policy, the bond fund will be replaced and the Plan Administrator directed staff to move forward with this action.

8. Department of Finance

Bernard presented the Quarter 1 Performance Update Watch List and the Defined Contribution Plans Portfolio Analysis for Year Ended March 31, 2024. There are several funds that have been on this watchlist for some time. If they remain on the watch list for four consecutive quarters, investment staff will take a deeper look into the fund.

9. Adjournment

Meeting adjourned at 11:06 am.