



**Sacramento County
Deferred Compensation Advisory Committee**

Friday, September 27, 2024

9:30am-11:30am

Minutes

MEMBERS

Present in person: Chris Baker, Dalen Fredrickson, Chris Giboney, Maryann Luke, Kim Nava, Hang Nguyen, Marlon Yarber, Chad Rinde, Sylvester Fadal

Present via MS Teams: N/A

Absent: Dave Irish

Guests: Fidelity: Present in Person: Suzanne Rogers, Mike Gomes, Joan Steel
NWCM: Present via MS Teams: Brent Petty

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 at 9:31am

2. Public Comment

No comments.

3. Approval of Meeting Minutes (Action) June 14th, 2024 (attached)

Christoph Giboney motioned to approve the minutes from the June 14, 2024, advisory committee meeting and Chad Rinde seconded. Minutes were adopted. There were no nays or abstentions

4. Comments from the Plan Administrator

No comments.

5. Department of Personnel Services

A. RFP for Deferred Compensation Recordkeeper closed and Award September 10, 2024, to Fidelity Investments

Alice Krueger stated that the Request for Proposal for Deferred Compensation Recordkeeper closed and was awarded on September 10, 2024, to Fidelity Investments. Contracting has begun.

B. Internal Audit Update

Alice Krueger stated that the Department of Finance is getting close to finishing the internal audit and hope to be scheduling exit meetings soon.

C. External Audit Status

Alice Krueger stated that Moss Adams has requested the audit materials and reports, and they are setting up a team to perform the work. A quote for a full-scope audit for the 2023 plan year and also for a multi-year contract has been requested.

D. State audit and reporting requirements

Information was received from our auditor regarding recent California requirements for increased frequency for full-scope audits on 401(a) plans and annual reporting on all deferred compensation plans to the State of California. The information has been reviewed by outside counsel and the Department of Finance. The Department of Finance is collecting more information about the reporting.

E. Plan document revisions from June approvals prepared and pending Board approval, implementation slated for January 1, 2025

The self-certification for unforeseen emergencies, domestic violence withdrawals, and the ages 60-63 increased catch-up maximums that were recommended at the last meeting are all on track for January 1, 2025, implementation.

F. Deferred Compensation Annual Report Presentation

Alice Krueger presented the Deferred Compensation Annual Report to the County Board of Supervisors which is scheduled to be received and filed in the December 3, 2024, Board Hearing. This report reviews plan statistics, information, and expenses.

6. Fidelity Presentation

A. County of Sacramento Deferred Compensation Plans (Information/Attachment)

Suzanne Rogers presented plan statistics including participation rates, asset allocations, savings rate, loan and withdrawal activity, and employee engagement.

Mike Gomes presented employee engagement data including what methods of engagement, groupings of how engaged employees are with the plan, and what take action rate resulted from the different methods of engagement. He additionally broke down the take action rates to tenure with the County and pension tier.

B. Fidelity Workplace Managed Accounts (Information/Attachment)

Joan Steel presented a review of the Fidelity Workplace Managed Accounts. She stated that people that use managed accounts tend to be more conservative in their investments. Fidelity uses 28 touch points to determine the investing approach for the participant. 80% of the investing strategy is based on the participant's profile, determining their risk appetite and their time to retire. Of the data points, 16 are applicable to all, 12 not applicable to all (e.g., spouse). Fidelity has an average of 14.1 data points per participant and 97% of managed assets are personalized. Those enrolled in managed accounts are more engaged than those not enrolled in managed accounts; increasing the amount they visit their dashboard, update their profile, increase their deferrals, and schedule planning calls.

In our 457(b) plan, 7.7% of participants are participating in managed accounts with a 1.8% larger average deferral rate and on average a \$24,000 larger balance than those in target date funds. There is a plan fee credit on managed accounts so that participants are never paying double fees.

7. NWCM-Update (Information/Attachment)

Brent presented the 457(b) Plan Highlights and Key Observations. There are 4 funds on the watch list, one has been removed, and three remain. JPMorgan Equity Income did outperform the second quarter, but to come off the watch list needs another quarter of outperforming. More consistency is needed.

Parnassus Core Equity fund is still on the watch list. In the near term it has been more concerning. Energy is currently under pressure, so it could help, but it has no carbon energy and is under large weight equities. Also, it is missing run-up tech companies. There is a natural headwind against no carbon-based fuels, gas, and energy, so we will keep an eye on this fund.

JPMorgan Small Cap Equity is a unique small cap as it is valuations focused. It is not keeping up during market rallies, but when the market is down it is doing better. Defensive strategy.

The Metropolitan West Total Return Bond Fund was replaced on September 10, 2024, for the 457(b) and the 401(a) funds.

The market has been hitting new highs, 31 in the first half of the year. Typically, this means the second half of the year may also have more highs. However, feds cut rates by 50 basis points and the market believes there may be two more cuts this year and a couple more in 2025. This may or may not come to fruition as the political landscape shifts.

Assets in the plan increased by 1.63% in the second quarter of 2024.

8. Department of Finance

Bernard presented the Quarter 2 Performance Update Watch List and the Defined Contribution Plans Portfolio Analysis for Year Ended June 30, 2024. The Metropolitan West Bond Fund was removed on September 9, 2025. 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 funds.

The Stable Value and Money Market funds are non-competing funds. The yields on money market funds are falling.

9. Adjournment

Meeting adjourned at 11:27 am.

The Deferred Compensation Advisory Committee participated in Fiduciary Training following the meeting.