

City of Santa Clara



Deferred Compensation Committee Minutes
May 27, 2020

Committee Members Present: Kenn Lee, David Battigan, Phil Orr, Steve Hance, Dan Winter

Committee Members Absent: None

City Representatives Present: Greg Bych, City Manager's Office; Su Reuter, City Attorney's Office; Aracely Azevedo, Marco Mercado, and Ashley Lancaster, Human Resources Department; Jensen Barna and Randy Piotrowski, Department of Finance

Consultants Present: Vincent Galindo, Hyas Group; John Steggell, Jake Sours, Dawn Furlo, Nationwide Retirement Solutions

A meeting of the City of Santa Clara Deferred Compensation Committee (the "Committee") was held on May 27, 2020.

Agenda Items and Matter for Committee Action:

1. **Call to Order** **Kenn Lee**
 - a. Mr. Lee called the meeting to order at 2:35 PM. A quorum was present.
 - b. Mr. Lee reviewed housekeeping items with the Committee, including:
 - i. The meeting will be held via Zoom to practice and maintain social distancing measures per the County Health Order. Council Chambers will remain open for the public who do not have access to Zoom.
 - ii. The meeting is recorded per the Brown Act and the City Attorney's Office will assist in guiding the Committee through the meeting. Per the Brown Act, the Committee is asked to speak to items indicated on the agenda only.

2. **Action on the February 12, 2020 Minutes** **Kenn Lee**
 - a. Mr. Orr made a motion to accept the minutes of the February 12, 2020 Committee meeting. The motion was seconded by Mr. Hance and was approved by a 5-0 vote.

3. **Informational Report on Coronavirus Aid, Relief, And Economic Security (CARES) Act** **Vincent Galindo (Hyas Group)**
John Steggell (Nationwide)
 - a. Mr. Galindo and Mr. Steggell presented an informational report on the CARES Act. Included as part of the presentation, Mr. Steggell reviewed *Key Retirement Provisions* document pertaining to the CARES Act. On May 14, 2020, the City opted into all provisions of the CARES Act. Since the inception of plan, the City has processed one loan in the amount of \$100,000. Currently, there have been limited distributions. This will continue to be tracked on a regular basis.

- b. Mr. Steggell presented information to the Committee on what is occurring nationally and being processed nationally for the CARES Act. It was noted that five (5) City employees have contacted Nationwide to inquire about the CARES Act.
- c. Mr. Battigan inquired on what happens when someone withdraws a \$100,000 loan and if it is paid with pre-tax or post-tax dollars. Mr. Steggell informed the Committee the CARES Act allows employees that take distribution to pay back post-tax dollars over a three-year period and employees will only be taxed one time which can be spread over the three-year period.
- d. Mr. Galindo added about 75% of agencies on the West Coast have adopted this to deferred compensation members.
- e. Members of the Committee thanked Nationwide for offering this benefit to City employees.
- f. No public comment. No action on this item was needed.

4. Informational Report on First Quarter 2020 Performance

**Vincent Galindo
(Hyas Group)**

a. Market Summary

- i. Mr. Galindo provided a presentation on the *City of Santa Clara Retirement Plan for 457 Compensation plan, First Quarter Performance Report 2020*. Included in the presentation was an overview of the Executive Summary and key indicators of the measure of US Economic Data indicator. There was a record of US history with 126 consecutive months of growing GDP. Due to the COVID outbreak, this growth has stopped. It is predicted that the second quarter number will decrease. Mr. Galindo indicated most agencies are providing stimulus relief. In regard to the unemployment rate, it is projected this rate will continue to grow and increase.
- ii. Mr. Galindo provided a summary of *Bond Market Data, US Treasury Yield Curve, US Equity Market Data, and International Stock Markets*. It is projected that funds in Financials and Energy will decrease. A summary was also provided on the overall Plan Asset Allocation reviewing plan level cash flows, returns, and average account balances.
- iii. Mr. Lee inquired on the type of economic recovery, especially with recession and unemployment and how that will impact growth. Mr. Galindo projected that recovery will be a “W” recovery, due to Shelter in Place and pending if there is a second round of the Pandemic. The goal is to reduce debt to zero. Mr. Galindo projected this recession will be short lived in comparison to previous recessions.
- iv. No other comments from the Committee.

b. Fund Review

- i. Mr. Galindo provided an overview of the *Investment Policy Statement Compliance Report* and an overview of all the fund performance.
- ii. No comments from the Committee.

c. Fee and Revenue Analysis

- i. Mr. Galindo provided an overview of the *Plan Fee Analysis*. The fund options are located on the far left column of the document, with details for each fund including administrative fees and total investment costs in the remaining columns.
- ii. No comments from the Committee.

d. No public comment on items A-C. No action on this item was needed.

5. Informational Report - Nationwide Plan Review

**John Steggell and Jake
Sours (Nationwide)**

a. Quarterly Plan Health Report

- i. Mr. Steggell provided an overall summary of the *City's Plan Health Report*. As of the

- close of May 26, 2020, the City's asset level was at \$176.5 million. As of March 31, 2020 the average balance was \$159,692,128. It was noted there are 31 new enrollments for the first quarter.
- ii. Mr. Sours provided a summary of how Nationwide is working with employees. Nationwide has provided a link for employees to schedule a virtual meeting with the Nationwide representative, Ms. Furlo. The Human Resources Department new contact will be Mr. Mercado (Assistant Director of Human Resources). Ms. Furlo is actively contacting employees to assist them with adding beneficiaries and will continue to reach out to employees as needed. Ms. Furlo indicated she has been doing webinars to keep employees engaged.
 1. Mr. Lee commented that since there has not been a lot of traction from employees and not getting many appointments online, if there is a way to engage more employees. It was determined Human Resources will send out communication to employees to generate more interest to do virtual appointments.
 - iii. Mr. Steggell continued with a summary of contributions by employees, balance details, and various trends. Mr. Steggell noted that when the Pandemic hit, they implemented a "queue to call back" option, so employees have option for Nationwide to call them back and they do not have to hold on the phone. Nationwide still maintains their contractual obligation to answer employee calls. Most employees are working from home and still assisting City employees during the Pandemic. Upon request, Nationwide will be able to be in the field to assist, if they obtain permission from their corporate office.
 - iv. No other comments from the Committee. No public comment. No action on this item was needed.

6. Action on Investment Policy Statement

Vincent Galindo (Hyas Group)

- a. Mr. Galindo provided an overview of the Investment Policy Statement, for the City's 457 Compensation Plan (Approved January 16, 2007 and updated May 2020). This document is a roadmap/guideline for fiduciaries to follow standards for metrics of investment option selections for the City. This framework provides the Committee with discretion to review items on a case-by-case basis.
- b. The recommendation from the Committee was to review the redlined document from a high-level overview for the current meeting. Additions to the document since the last Committee meeting included revisions to General Compliance, revisions to General Authority, and the Third Party Administrator.
- c. No comments from the Committee. No public comment.
- d. Mr. Hance made a motion to approve the changes. Mr. Winter seconded the motion to approve and the motion was approved by a 4-0 vote. Mr. Battagin abstained.

7. Fiduciary Presentation and Training

Vincent Galindo (Hyas Group)

- a. Mr. Galindo provided a training to the Committee on Fiduciary Fundamentals to all Committee members.
- b. Mr. Hance inquired if the City can expect to see a wave of litigation related to Pandemic. Mr. Galindo suggested it is possible pending the outcome of the impact to the market.
- c. Mr. Lee inquired if there was an increase based on market turmoil and litigation. Mr. Galindo indicated there is some correlation, but the difference would be litigation previously was around company stock options.
- d. No other comments from the Committee. No public comment.

8. Adjournment

- a. Mr. Lee thanked Mr. Winter on behalf of the Committee for his service to the Committee.
 - b. Mr. Winter made a motion to adjourn the meeting. Mr. Battagin seconded the motion to adjourn the meeting and the motion was approved by a 5-0 vote.
 - c. Adjournment at 4:06 PM.
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Reviewed and Approved by Deferred Compensation Committee on:

8/20/20

Date

Committee Chair:

