

St. Mary's County Government 457 (b) Governance Committee (Thursday, February 25, 2021)

Members Present

Dr. Rebecca Bridgett, County Administrator

Marvin Butler, Chief of Staff (via phone call)

Jeannett Cudmore, Chief Financial Officer

Chris Kaselemis, Department Director (via WebEx)

Zane Rettstatt, employee member (via WebEx)

Members Absent

Dallas Bonner, employee member (technical difficulties calling in)

Shawn Moses, employee member

Others Present

Catherine Pratson, Plan Administrator

Tracie McPherson, Recorder

1. CALL TO ORDER

A. The 457 (b) Governance Committee was called to order by Dr. Rebecca Bridgett at approximately 3:07 PM; Dr. Rebecca Bridgett requested a roll call of members present. Dr. Bridgett confirms Committee members present are Jeannett Cudmore, Christ Kaselemis (via WebEx) and Zane Rettstatt (via WebEx). Marvin Butler called in a few minutes after the meeting started due to technical difficulties.

2. ROLL CALL

A. Approval of the February 25, 2021 Agenda (R. Bridgett)

Motion 1: I move to approve the 457 (b) Governance Committee meeting agenda for February 25, 2021.

Motion by Chris Kaselemis, second by Zane Rettstatt

Yea: Zane Rettstatt, Jeannett Cudmore, Chris Kaselemis

Final Resolution: Motion Carries

B. Approval of the November 19, 2020 Minutes (R. Bridgett)

Motion 1: I move to approve the 457 (b) Governance Committee meeting minutes for the November 19, 2020.

Motion by Chris Kaselemis, second by Zane Rettstatt

Yea: Zane Rettstatt, Jeannett Cudmore, Chris Kaselemis

Final Resolution: Motion Carries

3. OLD BUSINESS (C. Pratson)

A. VOYA plan performance/plan demographic presentation (Sarala Katta/Lisa Gilarde)

Sarala Katta gave an overview of the plan demographics from 2020 compared to 2019 highlighting key metrics.

- The year 2020 started off with 13.9 million in assets with a little over 1 million in contributions which is up 28% compared to 2019.
- The participants that are contributing are mostly using the pre-tax or traditional options with 2/3 of participants using the pre-tax option and 1/3 using the ROTH option which is a similar comparison to 2019.
- Distributions were higher in 2020 compared to 2019, there were four COVID related distributions totaling approximately 26,000. One distribution was the result of an account leaving the plan causing the distributions to exceed those from the previous year.
- Other account activity is comprised of asset transfers, revenue credits and fees. 2020 had many asset transfers than previously.
- The plan assets as of December 31, 2020 were \$16,395,942.47 an increase of 18% for the year.
- Additional plan demographics were presented with fewer new accounts in 2020 (23) compared to 53 new accounts in 2019 which may be due to the momentum of implementing the plan in 2019 and from the pandemic in 2020.
- Seven participants withdrew their money from the plan in 2020. The period ended with 334 participants which is a combination of active and termed

employees. Of the 334 participants enrolled in the plan 251 actively contributed during 2020 equating to a 30% participation rate, about 3% higher than 2019. Other government plans that are represented by VOYA have about a 40% participation rate which shows we are headed in the right direction. Following the meeting, Sarala will present ideas to increase enrollment.

- There are 78 individuals that separated from employment but still maintain their accounts with the plan. Of those 78 individuals there are 16 individuals that have an account balance of less than \$5000.
- The average account balance is higher than the benchmark for both 2019 and 2020 compared to other VOYA government plans.
- The average deferral amount of \$180 for 2020 was 21% higher than the average deferral in 2019 which is a positive trend.
- The average number of investments is about 1.6 versus the benchmark for 2020.
- In the high-level overview of how the assets and contributions are broken down amongst four different categories. The stable value, which is the fixed account, is paying 1.35%, the target date funds, the mutual funds as well as a TD Ameritrade SDBA account. Most of the assets (74%) are invested in target date funds as well as most of the contributions are going into those funds. One participant is utilizing a SDBA and a small percentage are utilizing the other mutual funds instead of a target date fund.

Lisa Gilarde gave a summary of the plan performance which covers the summary sheets in the presentation.

- The summary sheet shows how our funds stack up compared to the Morningstar ratings and the VOYA fund evaluation scorecard. None of our funds are on the watchlist.
- The plan performance update shows the VOYA small cap opportunity fund rating fair, which is one notch above the watch list rating, but the rest of the funds are rating quite well.
- Comparing fund performance versus the benchmark as of the end of the year only the VOYA small cap opportunities fund does not consistently beat its benchmark. As of the end of January there are a few other funds that do not beat their benchmarks. The benchmarks jump around a lot, so it is best to look at the VOYA scorecard and Morningstar ranking to get a more holistic basis plus the benchmark as opposed to looking at just the benchmark.
- The Wells Fargo fund, as of February 23, 2021, is selling the investment management portion of its company to two private equity firms, DTCR and Reverence Capital. Those funds will likely be going on the watch list because

of the change in ownership. The deal will close the second half of this year. The current head of the Wells Fargo asset management is going to retain management of that section of the new firm so there is some continuity in the management team, but it is too early to know if there will be any significant changes to the portfolio management teams, how the funds are run, if there will be any mergers, etc.

- Looking at the benchmarks, the Morningstar ratings, and the VOYA fund evaluations scorecard our weakest fund is the VOYA small cap opportunities. The Voya recommendation is to put this fund on the watchlist due to their subpar performance as well as the two Wells Fargo funds due to the sale of the investment management portion of the company to the private equity firms.
- Dr. Bridgett asks if VOYA has an investment policy statement addressing how the funds stay in the portfolio. Lisa answered that VOYA does not force you to make fund changes, they leave that up to us. Unless there some something egregious VOYA would not take a fund off the platform. They may stop marketing it or warn us to watch the fund.
- Dr. Bridgett suggests looking at an investment policy statement for the Committee to use as a tool for the Committee to fulfill its fiduciary responsibilities. Jeannett Cudmore Zane Rettstatt and Chris Kaselemis agree.
- Catherine Pratson asks if a report can be run to see how many individuals are investing in those funds and Sarala Katta answered yes. Lisa suggests the small cap growth fund does not have a lot of assets because they do not tend to attract the bulk of the assets in any plan.
- Sarala Katta asks if there are any further questions. Chris Kaselemis asks if the target retirement date funds are performing at the benchmark or higher. Lisa answered yes, they tend to be five-star funds being a more growth orientated company and growth orientation has done well for a long time. If we did have a complete flip the value, which has not happened for quite a while, we might see them under perform for a short time, but the funds have performed very well for a very long time when you look at the benchmark. They have very low expenses. They have a lot of five-star American funds underneath it and they do tend to start shifting assets from a more growth orientated fund to more of the value and growth and income type funds as you get near retirement which makes the equity allocation more conservative.
- No other questions from the committee were asked.

Motion 1: I move to approve the 457 (b) Governance Committee accept the VOYA performance report as presented.

Motion by Zane Rettstatt, second by Jeannett Cudmore

Yea: Zane Rettstatt, Jeannett Cudmore, Chris Kaselemis, Marvin Butler

Final Resolution: Motion Carries

4. COMMITTEE REPORTS

Administrator's Report (T. McPherson)

No report to give.

5. NEW BUSINESS

None

6. ADJOURN

A. Adjourn (R. Bridgett)

Motion 1: I move to approve adjourning the 457 (b) Governance Committee meeting

Motion by Jeannett Cudmore, second by Marvin Butler

Yea: Zane Rettstatt, Jeannett Cudmore, Chris Kaselemis, Marvin Butler

The meeting was adjourned at approximately 3:37 PM