



DEFERRED COMPENSATION COMMITTEE MEETING

Tuesday, February 25, 2020
1:30 p.m.

Conference Room B-104
Valley Transportation Authority (VTA)
3331 North First Street
San Jose, California

AGENDA

- 1. CALL TO ORDER/ROLL CALL**
- 2. ORDERS OF THE DAY**
- 3. PUBLIC PRESENTATIONS:** This portion of the agenda is reserved for persons desiring to address the Committee on any matter not on the agenda. Speakers are **limited to 2 minutes**. The law does not permit Committee action or extended discussion on any item not on the agenda except under special circumstances. If Committee action is required, the matter can be placed on a subsequent agenda. All statements that require a response will be referred to staff for reply in writing.

CONSENT AGENDA

- 4. Approve Minutes of January 28, 2020.**

REGULAR AGENDA

- 5. Receive Updated Deferred Compensation Committee Members. (Cabrera)**
- 6. Approve In-Service Distribution at Age 59 ½ Provision for the 457 Plan. (Ballou)**
- 7. Discuss Plan Participant Survey. (Armstrong)**
- 8. Receive Visual Analytics and Technology Update Education. (Armstrong)**

9. **Receive and File** ICMA Retirement Corporation (ICMA-RC) Reports. (Armstrong)
 - a) Administrative Allowance Account – January 2020
 - b) VTA Deferred Compensation Plan Fund Performance – January 2020
 - c) Employer Bulletin – January 2020
10. **Receive** Update on Plan Activities. (Cabrera)
 - a) Report on Participants and Balance in Each Fund – January 2020
 - b) March 2020 Calendar for Deferred Compensation Representative
 - c) Emergency Withdrawal and Loan Reports
11. **Review** Committee Work Plan.
12. **Receive** Chairperson’s Report.
13. **Consider** Requests For Future Agenda Items.
14. **Announcements and Communications**
15. **Adjourn**

NOTE COMMITTEE MEMBERS: In order to establish whether or not a quorum exists for this meeting, members are asked to call Sue Cabrera in the Human Resources Department - Deferred Compensation office at (408) 321-5570 before 5:00 p.m. on the day prior to the meeting. Thank you for your cooperation.

Availability of Public Records. All public records relating to an open session item on this agenda, which are not exempt from disclosure pursuant to the California Public Records Act, that are distributed to a majority of the Deferred Compensation Committee will be available for public inspection at 3331 North First Street, San Jose, CA at the same time that the public records are distributed or made available to the Deferred Compensation Committee.

In compliance with the Americans with Disabilities Act (ADA), those requiring accommodations or accessible media for this meeting should notify Sue Cabrera in the Human Resources Department - Deferred Compensation office 48 hours prior to the meeting at (408) 321-5570.



**DEFERRED COMPENSATION COMMITTEE
MEETING**

**3331 North First Street
San Jose, CA 95134**

January 28, 2020

SUMMARY MINUTES

1. CALL TO ORDER at 1:30 p.m.

ROLL CALL: **Members Present:** Alexander, Ballou, Capps, Duesterhaus, Griffiths, Guillory-Jones and Smith

Members Absent: O'Malley Solis

Staff Present: Cabrera, Chavez and Queja-Lee

Staff Absent: Bill and Sonico

A Quorum was Present.

2. ORDERS OF THE DAY

There were no Orders of the Day.

3. PUBLIC PRESENTATIONS

There were no Public Presentations.

CONSENT AGENDA

4. Minutes of November 26, 2019

M/S/C (Guillory-Jones/Alexander) to approve the Minutes of November 26, 2019.

NOTE: M/S/C MEANS MOTION SECONDED AND CARRIED AND, UNLESS OTHERWISE INDICATED, MOTION PASSED UNANIMOUSLY.

REGULAR AGENDA

5. 457 University Education Session

Maria Chavez, Senior Human Resources Analyst, stated that SST Benefits Consulting sent an email notification regarding a 457 University education session scheduled for January 29, 2020.

She requested approval from the Chairperson and Vice-Chairperson to allow the new committee members to attend the session. She sent emails to the committee members and Member Griffiths requested to attend the education session.

M/S/C (Ballou/Duesterhaus) to approve Member Griffiths to attend the 457 University Education Session and the Disbursement from Administrative Allowance Account for the Education Session.

Sean Bill took his seat at 1:33 p.m.

6. 2020 Committee Training Schedule

Erika Armstrong, Vice President, Relationship Management, Northern California, ICMA-RC, discussed the committee training schedule for 2020. She proposed combining the January and February training topics for the February meeting.

Ms. Armstrong offered a training session to the Committee outside of the regular meetings to provide an overview of the Committee's fiduciary responsibilities and 457 plans. It would be a 1 ½ to 2-hour training session.

Staff will coordinate with Ms. Armstrong to schedule the training session.

M/S/C (Guillory-Jones /Smith) to approve the 2020 Committee Training Schedule.

7. Update on the Setting Every Community Up for Retirement Enhancement (SECURE) Act

Ms. Armstrong reported that the SECURE Act was signed into law on December 20, 2019 and most of the provisions will take effect on January 1, 2020. It is the most sweeping legislative reform since the Pension Protection Act was signed in 2006.

Ms. Armstrong discussed the increased beginning date of the required minimum distribution (RMD), post age 70 ½ IRS contributions, portability of lifetime income investments, distributions for birth or adoption, "stretch" required minimum distribution, in-service distribution at age 59 ½ and fiduciary safe harbor for selecting annuity providers.

Ms. Armstrong emphasized that the 10-year rule for beneficiary distributions will take effect January 1, 2022 for governmental plans including the 457 plan.

Ms. Armstrong explained that currently the in-service distribution for the 457 plan is set at age 70 ½. If they allow this provision, they will have to change it to age 59 ½. It is an optional provision so they could change it so that no in-service distribution is allowed.

Chairperson Capps asked if they will have to make changes to the plan document.

Ms. Armstrong responded that since VTA uses the ICMA-RC model plan document they do not need to do anything at this time. ICMA-RC will send plan sponsors the amendments to comply with the new legislation through positive election. There is no set timeframe for the amendments because ICMA-RC is seeking clarifications from the IRS and the Department of Treasury. Plan amendments may be issued by the third or fourth quarter of 2020. If the Committee would like to expedite provisions of the SECURE Act such as the in-service distribution at age 59 ½ or the birth or adoption, ICMA-RC would like to get direction from the Committee from a processing standpoint.

Chairperson Capps stated that his concern was what if one of these circumstances is raised by a participant and the provision is now effective, how will they handle it?

Ms. Armstrong explained she would need to check with headquarters to determine how easy it will be to implement the age 59 ½ provision.

Member Ballou stated he would like this provision implemented as soon as possible. He stated that although the Committee oversees the 457 plan, sixty percent of the 401 a plan participants are AFSCME-represented and they have expressed their desire to have this provision in place.

Ms. Armstrong responded that she will report back to the Committee on this item. She added that there is a remedial amendment period and the deadline for a plan amendment change is December 31, 2024 so they do not need to make an immediate decision on either required minimum distribution or distributions for birth and adoption provisions. She stated that given the repayment question for the birth and adoption provision, they could decide to wait until they hear back from the IRS. Because these are optional provisions, they could exercise the option to wait and not implement them right away.

Ms. Chavez stated that Ms. Armstrong can provide additional information at the February meeting in terms of how quickly they can implement the age 59 ½ provision. The Committee cannot take an action today because it is a receive agenda item. They can include an action item at the February meeting.

Ms. Armstrong agreed to provide additional information regarding the steps they will need to take to implement the provision. She added that per her experience, there is not a lot of leakage as a result of this provision.

Ms. Armstrong reported that there are no changes to the ROTH 457 distribution or the first-of-the-month rules.

8. Update on the Dodge & Cox Funds

Ms. Armstrong stated that Dodge & Cox funds are open to new investments. She added that the funds pay revenue to the recordkeeper. The revenue will be distributed back to the participants invested in the funds.

Sean Bill, VTA's Investment Program Manager, stated the Committee may want to consider adding the Dodge & Cox Stock and Dodge & Cox International Stock funds. These funds are core staples and do not open frequently to new investments. Both have a value tilt which is considered out of favor at this time which is probably why they are open.

Ms. Armstrong provided the expense ratios for the Dodge & Cox funds and the total assets managed by Dodge & Cox Global and International Stock funds.

Mr. Bill suggested that they move the Principal Diversified Real Asset fund from the Balanced asset class to the Specialty asset class.

Chairperson Capps asked if Mr. Bill suggested replacing current funds with the Dodge & Cox funds or adding them to the current fund lineup?

Mr. Bill commented that they do not want to overwhelm participants with too many choices but rather provide them with the best choices. It is best to keep things as simple as possible so they should review the options in more detail and decide which are the best for participants.

He requested Ms. Armstrong provide the 1-year, 3-year, 5-year, 10-year and since inception performance results and expense ratios for the Dodge & Cox Stock and International Stock funds which are two of the best funds from Dodge & Cox.

Ms. Armstrong agreed to provide the information.

9. Plan Assets Held by Active and Separated/Retired Participants

Sue Cabrera, Human Resources Analyst - Deferred Compensation, reported that \$112 million which is approximately 39% of the plan assets are held by 728 (28% of total participants) retired/separated employees.

10. Participation by Bargaining Unit

Ms. Cabrera stated that the total participation rate as of December 2019 was 76%. SEIU had the biggest increase in participation at 13% from December 2015 to December 2019.

She distributed a revised Participation by Bargaining Unit report.

11. ICMA Retirement Corporation (ICMA-RC) Reports

- a) Administrative Allowance Account – December 2019
- b) VTA Deferred Compensation Plan Fund Performance – December 2019
- c) Quarterly Financial Report – October to December 2019
- d) Employer Bulletin – November and December 2019
- e) VTA Service Statistics – October to December 2019

The ICMA Retirement Corporation (ICMA-RC) Reports were received and filed.

Ms. Armstrong introduced Lenora Jenkins, Regional Manager, ICMA-RC, to the Committee. Ms. Jenkins provided her background within the financial industry.

Ms. Armstrong agreed to email the monthly Employer Bulletin to the Committee members.

Ms. Armstrong discussed the new paperless rollover process for plan participants. She added that she would provide a demo next month.

12. Update on Plan Activities

- a) Report on Participants and Balance in Each Fund – December 2019
- b) February 2020 Calendar for Deferred Compensation Representative
- c) Emergency Withdrawal and Loan Reports

Ms. Cabrera reported that VTA Plan assets for December 2019 were \$287.6 million, which increased by 1% compared to November 2019 assets of \$283.5 million.

She stated that the average account balance for December 2019 was \$112,175 while the median balance was approximately \$51,580. Contributions for December 2019 totaled \$1 million while distributions totaled approximately \$2.2 million with eight rollouts totaling approximately \$1.5 million.

Ms. Armstrong stated that the low contribution rate may have been due to the threat of a strike and participants either lowered or stopped their contributions.

Upon query from Member Guillory-Jones, Ms. Armstrong stated that there is a seminar called “Retirement Savings Drawdown” which explains strategies to use

in order to make retirement assets last during a participant's lifetime. It also educates participants about the right asset allocations and bucket strategies. She also summarized the "Am I on Track" tool.

Ms. Cabrera stated VTA's participation rate for December 2019 was 76%.

She reported that for the month of December 2019, no emergency withdrawal applications were approved, and three loan applications were processed for primary residences and tuition fees.

13. Committee Work Plan

There were no changes to the Committee Work Plan.

14. Chairperson's Report

There was no Chairperson's Report.

15. Requests For Future Agenda Items

There were no Requests For Future Agenda Items.

16. Announcements and Communications

Ms. Armstrong stated that she will provide samples of surveys next month.

Ms. Chavez added that it has been several years since the Committee has conducted a survey; this may be a good opportunity to get feedback from the participants about the education topics they would like to see addressed.

17. Adjourn

On order of Chairperson Capps, there being no objection, the meeting was adjourned at 2:34 p.m.

Respectfully submitted,

Sue Cabrera
Human Resources Analyst
Human Resources Department