

**AGENDA**

Joint Administrative Services Board  
Monday December 17, 2018 10:00 p.m.  
Joint Government Center

1. **Call to Order.**
2. **Approval of Minutes. (October Minutes Attached). Pg. 2**
3. **GASB 75:** The Final Actuarial Studies concerning post employment benefits (OPEB) are available on request. They show the liability for providing retirees access to the health group to be \$373,683 for Government and \$1,100,463 for Schools. These amounts will appear on the balance sheet of the respective organizations. These amounts represent the complete future stream of expenditure on retiree health subsidy for active employees discounted to the present. Local Choice has recently eliminated the option to assess to retirees the full cost of coverage.
4. **Nationwide 457 Fixed Account.** Nationwide is revising their fixed account. Some facts:
  - a. There are 26 individuals enrolled in the overall plan.
  - b. Of these, 12 individuals are currently employees.
  - c. Of these, 10 have balances in the fixed account.
  - d. Of these, 6 are currently contributing to the overall plan (likely the fixed account).
  - e. 46% of plan assets are in the fixed account.

Nationwide provides three options, must choose by 12/27:

- A. Option 1. Declining guaranteed minimum interest rate, transfer capped at 20%, no fee.
  - B. Option 2. Declining guaranteed minimum interest rate, transfer capped at 40%, .1% annual fee.
  - C. Option 3. Existing fixed account balance continues at minimum 3.5%, but no new contributions, instead:
    - a. Contributions redirected to new fixed account to have guaranteed minimum of .5% in separate account; or
    - b. Contributions redirected to Target Date fund (current default).
5. **FY 18 Audit Update.**
  6. **ERP Update.** Go LIVE for Virginia Income Tax took place last week with Taxation scheduled for January. Government IT intends to upgrade Munis to 11.3 in mid-February.

Joint Administrative Services Board  
October 22, 2018 Regular Meeting 10:00 am

At a regular meeting of the Joint Administrative Services Board held on Monday, October 22, 2018, at 10:00 am in the Meeting Room AB, Berryville Clarke County Government Center, 101 Chalmers Court, 2nd Floor, Berryville, Virginia.

Members Present: David Ash, Chuck Bishop, Sharon Keeler, Chip Schutte, David Weiss

Members Absent: None

Staff Present: Tom Judge, Gordon Russell, Brianna Taylor

Others Present: None

1. Call to Order - Determination of Quorum

At 9:58 am, Chairman David Weiss called the meeting to order having determined that a quorum was present.

2. Approval of Minutes

Chip Schutte, seconded by Sharon Keeler, moved to approve the June 25, 2018 minutes as presented. The motion carried by the following voice vote:

David Ash	- Aye
Chuck Bishop	- Aye
Sharon Keeler	- Aye
Chip Schutte	- Aye
David Weiss	- Aye

3. GASB 75

Tom Judge stated that the actuarial study to determine the implied liability of permitting health group participation for retirees should be completed by December.

Tom Judge read the regulations from § 15.2- 15 17. Insurance for employees and retired employees of localities and other local governmental entities; participation by certain volunteers:

- o C.1. Except as otherwise provided herein, in the event the governing body of any locality elects to provide group accident and health insurance for its officers and employees, including constitutional officers and their employees, such programs shall require that upon

retirement, or upon the effective date of this provision for those who have previously retired, any such individual with (i) at least 15 years of continuous employment with the locality or (ii) less than 15 years of continuous employment who has retired due to line-of-duty injuries may choose to continue his coverage with the insurer at the retiree's expense until such individual attains 65 years of age at the insurer's customary premium rate applicable (a) to such policies, (b) to the class of risk to which the person then belongs, and (c) to his age.

Tom Judge stated that it seems like we need to provide insurance but only to those who have worked 15 years of continuous employment and it does not have to be at the same rate that it's provided to other employees. We can ask at the renewal if we can have a separate rate for retirees.

Tom Judge expressed that no action is needed at this time until the study results come in.

David Weiss asked if it was at the retiree's expense and if that is how it is currently done.

Tom Judge answered in the affirmative but they are paying the same rate as an employed person would. The idea behind the implied liability study is to look at if retirees should be paying a higher rate due to them being older and having a higher risk profile.

Chip Schutte then asked that the cutoff is 65 because that is when you are eligible for Medicare. Tom Judge answered in the affirmative.

Tom Judge expressed that by changing both of our current policies to 15 years of continued work may change the future. Another thing that could happen is to ask for a separate rate, hopefully, get the rates both with the retirees combined in the overall group and with them as a separate group. Tom Judge also stated that another option that may help would be to put into the policies the 65-year age limit for retirees.

David Weiss asked what the actuarial study would determine.

Tom Judge answered that the actuarial study is going to look at all of the employees, their ages, their participation in insurance groups, their number of years of service and then try to estimate the retirees over the next ten years and estimate what percent of those retirees will want to stay in the retiree group. Then what is the difference between that group standing alone and the combined group and that will be the liability. It is going to be from a more macro level so not sure of all of the details it will cover.

Chuck Bishop asked if we should request from Local Choice one with a combined rate and one just for retirees now instead of waiting, so that we can look at our options.

Tom Judge stated that the renewal information from Local Choice comes out in January and the commitment to the rates deadline is late March. Tom Judge then stated that he could talk to them and see what the options are to getting that as soon as possible and getting both the combined overall rates and the rate if retirees are their own group.

#### **4. Health Insurance Renewal Options**

Tom Judge explained that last year's health insurance renewal was +14%; this caused certain employees to have a negative change in net pay, despite the 2.5% salary increase.

In order to prevent this situation from reoccurring, one option for the School Finance Committee may be to focus on the percentage premium for the employer contribution for the transportation, food service, and other subgroup.

David Weiss asked if the percentages were comparable. Tom Judge stated that Rick Catlett was working on a comparison with Winchester and Frederick in order to see how we compare.

## 5. ERP Update

Tom Judge stated that the Go Live for Virginia Income Tax is scheduled for December, and Taxation for January. There are two more remaining implementations. One is Online Payments, which Gordon Russell wants to wait until Taxation is Live before implementing. The other one is GIS Mapping.

Gordon Russell stated that the GIS Mapping piece does not look to be critically necessary to the Munis Application. Also the fact that it is not just the Munis Module charges but also we would have to spend a large amount of money in order to upgrade our GIS Environment to work with Munis because the way our data is managed today is not the way Munis would be able to connect and work with that data.

**Chip Schutte, seconded by David Ash, moved to decline the implementation of GIS Mapping through Munis. The motion carried by the following voice vote:**

David Ash	- Aye
Chuck Bishop	- Aye
Sharon Keeler	- Aye
Chip Schutte	- Aye
David Weiss	- Aye

Tom Judge explained that the Munis Version upgrade would be postponed until taxation implemented.

Sharon Keeler stated that they are trying to move forward with the taxation but they run into one issue after another. Gordon Russell explained that there has been issues that the implementers have not accurately addressed with the converted data and partial paid bills. IT Department has been trying to sort out the issues and most of the time find it easier to learn how to fix things ourselves.

Gordon Russell stated that it would not be an efficient process for the upcoming year and it is going to be messy because we cannot fix errors in the system until we find them and when we find them, it may take a while to fix the error.

Sharon Keeler explained that they would continue to do in house training with Gordon Russell and Brenda Bennett in order to keep moving forward. The board did all agree that if more training from Munis trainers is required then training could be given.

Gordon Russell stated that by working more with Munis and fixing the problems that arise, it has helped in understanding Munis on a deeper level. Which does help to fix the other problems, but it has also reshaped his job role because the system itself does require someone onsite who understands Munis and is able to correct things when the problems do arise.

**6. Adjournment**

At 10:47 am, Chairman David Weiss adjourned the meeting

**7. Next Meeting**

November 26, 2018

Note: The July, August and September meetings were cancelled due to insufficient agendas.

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Minutes Recorded and Transcribed by Brianna R. Taylor



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Dear THOMAS JUDGE,

RE: CLARKE COUNTY

Nationwide is proud to partner with the National Association of Counties and state associations of counties to provide county employees with a 457(b) Deferred Compensation Program. Our goal is to help America's workers prepare for and live in retirement.

One of the ways we work to achieve this goal is by periodically evaluating our suite of products, tools and resources. These evaluations lead to adjustments which allow for the continued delivery of an *On Your Side®* service experience to you and your participants.

We've recognized a need to change the Guaranteed Minimum Interest Rate of the fixed annuity contract available in your plan. As a contract holder, you have options. The following packet includes all the steps required to make the necessary changes to your plan.

#### **Next Steps**

As part of this change, we are asking you to consider the options outlined in the *Guaranteed Minimum Interest Rate Change: Explanation of Options* and take the associated actions by 12/27/2018. As Plan Sponsor, you have a responsibility to make decisions on behalf of the Plan regarding products and features available to your Plan participants.

Please take time to review the options and sign and return the required documents to Nationwide. If you do not select one of the options provided, new contributions will no longer be accepted to your current Fixed contract. This includes, but is not limited to, payroll contributions, rollovers, transfers and exchanges.

#### **Questions?**

Refer to the enclosed FAQ for more information. If you have additional questions about this change or the options available for the adjustment, please contact our service center at 877-496-1630 or your local Nationwide Retirement Solutions Representative. Our specialists are available Monday through Friday, 8 a.m. to 8 p.m. Eastern time.

Thank you for your partnership as we mutually work to help your participants prepare for and live in retirement.

Sincerely,

Nationwide Retirement Solutions

Matthew D. Chase

Executive Director

National Association of Counties

Nationwide Retirement Solutions and Nationwide Life Insurance Company (collectively 'Nationwide') have endorsement relationships with the National Association of Counties. More information about the endorsement relationships may be found online at [www.nrsfaru.com](http://www.nrsfaru.com). Nationwide, the Nationwide N and Eagle and Nationwide is on your side are service marks of Nationwide Mutual Insurance Company. © 2018 Nationwide.

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**Guaranteed Minimum Interest Rate Change: Explanation of Options**

Please consider your available options before making a selection on the *Guaranteed Minimum Interest Rate Change: Options Form* (the *Options Form*). The *Options Form* and required documents can be found in the enclosed folder.

**1) Option One**

Your contract is amended to lower the Guaranteed Minimum Interest rate annually on the following schedule:

2018	2019	2020	2021	2022	2023
3.5%	3.0%	2.5%	2.0%	1.0%	0.5%

The contract's quarterly Crediting Rate<sup>1</sup> will continue to be set based on Nationwide's normal business practices and may vary depending on market conditions and investment performance.

**2) Option Two**

The contract is amended to lower the Guaranteed Minimum Interest Rate annually on the same schedule shown in Option One. Additionally, the per participant exchange and transfer limit is also increased from 20% to 40%.

The contract's quarterly Crediting Rate will continue to be set based on Nationwide's normal business practices and may vary depending on market conditions and investment performance. However, because of the increased exchange and transfer limit, the Crediting Rate under this option will be less than under Option One. At the time of this letter, this difference is 0.1% annually, but the variance is not guaranteed to remain at this level.

**3) Option Three (Default Option)**

The existing balance in your current Fixed Contract will maintain the current GMIR for these existing balances only, unless otherwise agreed to by Nationwide and the Plan Sponsor. New contributions will no longer be accepted to your current Fixed contract. This includes, but is not limited to, payroll contributions, rollovers, transfers and exchanges. This change will be effective in 2019.

Accordingly, you will need to provide direction for your participants' future allocations to replace their current Fixed allocation. Two options are available. If this option is chosen, you will also need to select a sub-option:

- A. Continue to offer Nationwide Fixed Contract. An application for a new Fixed contract is enclosed. This contract will be established with an initial Crediting Rate of 1.2% and a 0.5% GMIR.
- B. Utilize the Plan's existing Default Investment Alternative (DIA). If the Participant does not elect a new investment to replace the Fixed option, it will be treated as if no investment direction has been given and the Default Investment Alternative will be used for future contributions. Your plan's current fund lineup can be viewed online at [www.nrsforu.com](http://www.nrsforu.com).

**Please Note:** if you do not take action, you are electing to place those participant allocations in your existing DIA. The participants will be notified of the change so that they may have the opportunity to change their allocation.

<sup>1</sup>The Crediting Rate is the interest rate credited as an annual effective yield.



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## **FAQ: Guaranteed Minimum Interest Rate**

### **What is changing?**

We're adjusting the GMIR to ensure we can continue offering current and future participants valuable retirement plan solutions. Accordingly, Nationwide must align with the market and gradually reduce the GMIR in our fixed annuity contracts.

### **Why is Nationwide making this change now?**

As we survey the retirement plans market, we've recognized a need to change a feature of our product suite—the Guaranteed Minimum Interest Rate (GMIR) of the fixed annuity contract available in your plan. Over the past five years, many providers have lowered their GMIRs. During that time, Nationwide did not take any action; however, interest rates have only increased modestly, creating an interest rate environment in which we can no longer offer an above-market rate.

For the last several years, the industry has operated in a consistently low interest rate environment, which has directly impacted the investment returns available in the market. During this time, Nationwide has continued to provide an above-market rate to participants invested in our fixed contract, but now recognizes the need to adjust the GMIR.

### **What is a Crediting Rate?**

The Crediting Rate is the interest rate credited as an annual effective yield to participants that are invested in the fixed annuity on a daily basis. The Crediting Rate is determined on a quarterly basis by Nationwide and is different than the GMIR.

### **What is a Guaranteed Minimum Interest Rate?**

The Guaranteed Minimum Interest Rate is the lowest Crediting Rate that Nationwide will credit to participant accounts under the terms of the contract.

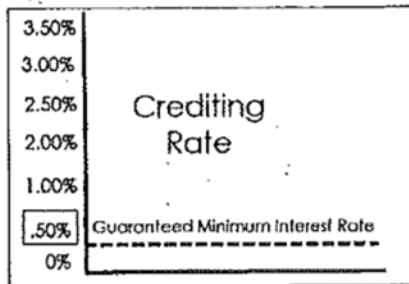
### **What is the difference between a Crediting Rate and a GMIR?**

While the quarterly Crediting Rate may vary depending on market conditions and investment performance, the GMIR is the minimum interest rate established under the Contract. It is meant to act as a floor, meaning regardless of market conditions or investment performance, participants with assets invested in the Contract will not receive a rate of return less than the GMIR.



What happens when the crediting rate wants to drop below the GMIR but is limited by the guarantee?

Nationwide's goal is to pay a competitive crediting rate to participants. Reducing the Guaranteed Minimum Interest Rate may not have a direct impact on the crediting rate that is paid to the participant. Even though Nationwide will annually step down the Guaranteed Minimum Interest Rate to 0.5%, the crediting rate may change quarterly. And while it may be reduced occasionally due to market conditions or investment performance, it will never drop below the Guaranteed Minimum Interest Rate. See the graphic below:



What can I expect from Nationwide?

You can expect Nationwide to continue to offer a competitive crediting rate to your participants. Our goal is to help America's workers prepare for and live in retirement and we will help do this through the products and services that we offer. Nationwide can also provide materials and tools to help communicate this change to affected participants upon request.

The following applies to Options 1 or 2 only:

When will the change to the GMIR be effective for Options 1 and 2?

This adjustment will begin in the first quarter of 2019, meaning participants with assets invested in the fixed annuity contract will still receive their current GMIR throughout 2018. Additionally, the GMIR will step down over a period of five years, giving participants ample time to evaluate future asset allocation decisions. Please refer to the Guaranteed Minimum Interest Rate Amendment: Option Sheet for an illustration of the schedule.

What is the schedule of the GMIR step down?

2018	2019	2020	2021	2022	2023
3.5%	3.0%	2.5%	2.0%	1.0%	0.5%

Please note: reducing the GMIR may not have a direct impact on the crediting rate that is paid to the participant. Even though Nationwide will gradually step down the GMIR to 0.5%, the crediting rate may change quarterly. And while it may be reduced occasionally due to market conditions or investment performance, it will never drop below the GMIR.

What is the exchange and transfer limit under Option 2?

The percentage of the participant's assets invested in the contract which can be exchanged or transferred out of the contract per year. If the limit is exceeded, no further exchanges or transfers will be permitted until the following year.