

**Smart Savings Committee Meeting
(aka Deferred Compensation)
May 25, 2022 @ 3:30 p.m.
Via MS Teams Meeting**

Attended

Maricopa County – Nik Decker, Kim Miles, Charlotte Marz, Frances Dairman, Laura Ingegneri, Max Porter, Monica Pimentel, Mike Fulton, Christian Anderson, LeeAnn Bohn

Nationwide Retirement Solutions –Andee Gravitt, Jim Keeler, Tracy Childers

SageView – Jake O’Shaughnessy

Absent – Bridget Harper

1. Call to Order

The meeting was called to order at 3:31 p.m. by Chairperson, Charlotte Marz.

2. Approval of Minutes for March 10, 2022, Regular Quarterly Meeting

Mike Fulton made a motion to approve the March 10, 2022 meeting minutes. Seconded by Frances Dairman. Motion passed by unanimous vote with three (7) ayes and zero (0) nays (Ms. Bohn had not yet arrived).

3. Sageview-Investment Performance Report

Jake O’Shaughnessy presented SageView’s 1st Quarter 2022 Investment Performance Review for the Maricopa County 457 Plan. The plan is in wonderful shape with over \$700 million in plan assets as of 3/31/22. The top two holdings in the plan were the Guaranteed Separate Account option and the Fidelity ContraFund with 19.2% and 16.3% of the plan assets respectively. Performance has been good across the investment options offered in the Plan. All of the actively managed funds (excluding target date funds) scored above median based on their respective SageView Scores.

Jake O’Shaughnessy also presented a market update as of 3/31/22 with the following highlights:

- I. With consistent inflationary readings at or above 5% since May of 2021, the Fed raised the federal funds rate by 0.25% and signaled six more increases this year. Simultaneously, the Fed has indicated plans to unwind its \$9 trillion asset portfolio, another tool at its disposal to curb inflation. Complicating the issue are both persistent wage growth, which remains above historical averages, and higher energy costs.
- II. The yield on the 2-year Treasury note surpassed that of the 10-year, a historically reliable recession predictor. The University of Michigan’s Consumer Sentiment Index fell to its lowest level in a decade. Concurrently, the average 30-year fixed mortgage rate jumped to 4.67%, a meaningful increase from the 3.11% at the end of the year. Despite this, the unemployment rate remains historically low at 3.6%.

- III. A late quarter rally was not enough to salvage the worst quarter for equities in two years, and the worst for bonds since 1980. The Fed launched a rate increase plan to combat stubborn inflation, which particularly impacted the Technology sector. Commodities were the sole bright spot, as western sanctions on Russia were a boon for domestic oil producers, who are ramping up production to meet surging demand.

In legislative updates, Jake O'Shaughnessy reported that the SECURE 2.0 Act is making its way through congress. There are not a lot of impacts to Government 457(b) plans.

On the regulatory front, Mr. O'Shaughnessy pointed out that the DOL published Compliance Assistance Release 2022-01. The guidance (important to note, this is not a regulation or law), puts forth the DOL's concerns around the prudence of offering cryptocurrency in retirement plans – whether as a direct investment through the core lineup or through a self-directed brokerage account. Specifically, the DOL points to the risks of fraud, theft, or loss for the following reasons:

- Speculative and volatile investments
- Challenge for participants to make informed investment decisions
- Custodial and recordkeeping concerns
- Valuation concerns
- Evolving regulatory landscape

While not a law and not directly prohibiting crypto, the threat of DOL investigations is likely to have a chilling effect on adoption within retirement plans. However, the guidance did not specifically address indirect investment (e.g., through a registered product, like a mutual fund), whether in the core lineup or in the SDBA.

On Watch Fund Updates:

There are currently no funds on watch.

Fund Addition:

At the March 10, 2022 meeting the committee voted unanimously to add the Schwab TIPS Index Fund (Ticker: SWRSX) to the plan's fund lineup. It was later discovered that this fund is not available on Nationwide's platform. The committee discussed the desire to still add an inflation protection fund. Frances Dairman made a motion to add the Fidelity Inflation Protected Bond Index (FIPDX) as soon as administratively possible. Seconded by Max Porter. Motion carried by unanimous vote with (7) ayes and zero (0) nays (Ms. Bohn had joined and Ms. Pimentel had exited).

3. Approval to Pay NAGCDA Conference Fees from the Revenue Account

Chairperson Charlotte Marz stated that Ms. Pimentel had messaged to say that she is interested in attending the annual NAGCDA conference in September. No other members present expressed an interest. A motion was made by Mike Fulton and seconded by Laura Ingegneri to pay for 2022 NAGCDA conference fees from the Revenue Reimbursement Account. Motion passed with (7) ayes and zero (0) nays.

4. Nationwide Retirement Solutions Performance Report

Andee Gravitt and Jim Keeler presented the 1st quarter performance report executive summary. Andee noted that Nationwide has been getting calls about cryptocurrency and informed the committee that none of the funds in the plan's lineup contain cryptocurrency nor does the Schwab self-directed brokerage account have that option.

There has been an increase in members using the My Interactive Retirement Planner (MIRP) tool (+200~). Recent changes to the tool may have impacted someone's readiness to retire, but the results still show that 40% of participants using the tool are ready to retire.

The custom benchmarks show that the plan is in line with other government plans of comparable size.

The balance sheet showed contributions remained strong in the 1st quarter. There was a slight increase in Unforeseen Emergencies due to unemployment and funeral expenses.

A review of the revenue reconciliation shows that the retained revenue balance continues to grow. Max Porter asked why it seemed to jump exponentially in the last quarter. Jake O'Shaughnessy stated that the plan is collecting more (16 BPS) from participants than it is required to pay the recordkeeper, Nationwide (\$51.90 per participant). It is recommended to wait until later in 2022 to recalibrate this due to market volatility. The excess revenue collected has historically been rebated back to participants when it reaches significant levels. In another quarter or two, it may be appropriate for the Committee to consider another rebate.

Jim Keeler reported that Jennifer Foglia is no longer with Nationwide. Tracy has picked up all her departments. Tracy shared information about the webinars and employee meetings she has had.

Andee reported that Nationwide did not meet performance standards for response time and call abandonment for the second consecutive quarter. This is the third quarter out of the last five quarters that Nationwide has failed to meet performance standards. Andee reported that the misses are due to staffing shortages and that Nationwide has plans to recruit on several college campuses. Ms. Gravitt shared that they had been considering changing the queue for the County, but that it has been ruled out as a potential solution.

6. Comments from Committee Members

No comments.

7. Public Comments

No comments.

8. Motion to Adjourn

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A motion was made to adjourn the meeting at 4:42 pm by Frances Dairman and seconded by Laura Ingegneri. Motion carried by unanimous vote.