

**Smart Savings Committee Meeting
(aka Deferred Compensation)
September 15, 2022 @ 3:00 p.m.
Via MS Teams Meeting**

Attended

Maricopa County – Brandon Newton, Charlotte Marz, Bridget Harper, 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 3:01 p.m. by Chairperson, Charlotte Marz.

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

Ms. LeeAnn Bohn made a motion to approve the May 25, 2022 meeting minutes. Seconded by Ms. Monica Pimentel. Motion passed by unanimous vote with eight (8) ayes and zero (0) nays (Ms. Dairman joined a few minutes later.)

3. Sageview-Investment Performance Report

Mr. Jake O’Shaughnessy presented SageView’s 2nd Quarter 2022 Investment Performance Review for the Maricopa County 457 Plan. The plan is in good shape with over \$622 million in plan assets as of 6/30/2022. The top two holdings in the plan were the Guaranteed Separate Account option and the Fidelity ContraFund with 22% and 15% of the plan assets respectively. Performance has been good across the investment options offered in the Plan. All 17 of the actively managed and/or index funds (excluding target date funds) scored above median based on their respective SageView Scores and benchmarks.

Mr. Jake O’Shaughnessy also presented a market update as of 6/30/2022 with the following highlights:

- I. Inflation is, and will, continue to be a major story throughout 2022. There are some notable differences between this current period of inflation and the one most recently observed in U.S. history during the late 1970’s, including the unemployment rate and response of the Federal Reserve. Second quarter payroll growth remained robust. For the past three months, the U.S. economy added an average of 383,000 jobs. The unemployment rate remained at 3.6% in June, just above the pre-pandemic level of 3.5%. In June, the Federal Reserve raised interest rates by 75 basis points, the largest increase since 1994. Fed Chair Jerome Powell said the risk of failing to maintain price stability was of greater concern than the risk of rate increases pushing the economy into recession.

- II. Late in the quarter, the Fed shifted to more aggressive rate increases as inflationary data accelerated. Concurrently, the yield curve flattened, signaling increased odds of a recession.
- III. During times like these, investors often favor large, stable companies with predictable earnings, such as Utilities and Consumer Staples stocks. Also, rising interest rates tend to hit growth stock valuations harder than the valuation of 'value stocks'. Most funds across all asset classes in the plan are down through the first 6 months of the year in 2022, including domestic bond funds. One notable exception is the Plan's Stable Value fund (or the Maricopa County Guaranteed Separate Account) with its positive return of 0.8% for the year to date through June.
- IV. Even if the U.S. experiences a recession, it is important to remember that recessions have historically been much shorter than expansions. Between 1920 and 2010, expansions lasted, on average, 47 months, compared to just 14 months for the average recession.

With regard to the legislative updates, Jake O'Shaughnessy reported that the SECURE 2.0 Act is still making its way through congress. There are not expected to be a lot of direct impacts to Government 457(b) plans, however, the potential legislations warrant monitoring.

Also, in June, the IRS announced a pre-audit compliance pilot program. The IRS would send letters to plan sponsors whose plans have been selected for audit. Plan sponsors would then have a 90-day period to identify and correct any compliance issues prior to the audit. If the IRS deems the sponsor corrections satisfactory, the IRS could issue a closing letter or conduct a more limited scope audit. The IRS will also assess sanctions under the user fees for the Voluntary Correction Program (VCP), which are normally not available once an audit notice has been issued. He advised that the committee may want to engage in a plan audit.

On the litigation front, Mr. O'Shaughnessy pointed out that the current trend in court cases is mitigated to a certain degree by the low fees and transparency currently in place for the Maricopa County 457 Plan..

On Watch Fund Updates:

There are currently no funds on watch.

4. Nationwide Retirement Solutions Performance Report

Ms. Andee Gravitt and Mr. Jim Keeler presented the 2st quarter performance report executive summary.

Ms. Gravitt reported that there has been a positive trend in participants setting up online accounts. And that 29% of participants who have completed the My Interactive Retirement Planner (MIRP) tool are ready to retire. Recent changes to the tool may have impacted someone's readiness to retire. Also,

Nationwide implemented some disclosure guidance for participants in the ProAccount to let the know that the information in the MIRP is used to manage their ProAccount.

The number of participants in the plan is relatively unchanged, but contributions to the plan decreased from the prior quarter.

Ms. Gravitt reported that there were fewer unforeseen emergency withdrawals that the previous quarter, but that the amount of those withdrawals was nearly doubled. 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. There is \$871,000 in the revenue account.

Ms. LeeAnn Bohn made a motion to reduce the revenue account balance by \$500,000 through a rebate to participants that is prorated based on asset balance. Ms. Frances Dairman seconded the motion. Motion passed by unanimous vote with nine (9) ayes and zero (0) nays.

Jim Keeler reported that participation remains steady. He reported that there has been an uptick in the number of webinars and the number of participants. There were 86 enrollments for the quarter.

Ms. Tracy Childers shared information about the webinars and employee meetings she has had. She reported that most participants know they are invested for the long-term. She said some have opted out of ProAccount to have a little more control and some are opting into ProAccount for the expertise that comes with it.

Ms. Gravitt Andee reported that Nationwide did not meet performance standards for response time and call abandonment for the third consecutive quarter. This is the fourth quarter out of the last six quarters that Nationwide has failed to meet performance standards. Ms. Kelly Laipply, Nationwide reported that the misses are due to staffing shortages and that Nationwide continues to recruit call center staff on several Arizona college campuses. Ms. Laipply also stated that Nationwide has increased salaries and offered career development to attempt to retain staff. She said more research would have to be done to determine if changing the queue for the County is a viable option.

Ms. Andee Gravitt announced that she has accepted another role within Nationwide. The role will not start until October 10, 2022. Nationwide has begun a search for a replacement on the Maricopa account.

6. Comments from Committee Members

No comments.

7. Public Comments

No comments.

8. Motion to Adjourn

A motion was made to adjourn the meeting at 4:14 pm by Ms. Monica Pimentel and seconded by Ms. LeeAnn Bohn. Motion carried by unanimous vote.