

Nassau County Deferred Compensation Plan Board

Meeting Minutes – August 23, 2022

On August 23, 2022, the Nassau County Deferred Compensation Plan Board held a regular quarterly meeting at One West Street and via conference call.

Attendees:

Nassau County

Empower

Marsh McLennan

In person: Steve Conkling Beaumont Jefferson Michael Maloney David DeBaun Pat McDevitt Jeff Nogid Michael Grunwald Via phone / zoom: Thomas Iervese Dawn Wood-Jones Sean Mulligan Helen Marie Carlson	In person: Gabe D’Ulisse Dan Morrison Joe Fein Rocco Attanasio Mike Ricciardi James Cordes Nina Barbarino Via phone / zoom: Ellen Wilson Maria Vazquez Perez Theresa Mansbart Danya Ziebell	Via phone / zoom Peter Scott
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Board Chairman Steven Conkling commenced the meeting shortly after 10 a.m.

Agenda items included –

- Approval of the May 3, 2022 meeting minutes
- Empower contract extension
- Marsh & McLennan’s Q2 2022 investment due diligence report
- Empower’s Q2 2022 Report
- Other Business

Board Chair Steve Conkling opened the meeting by introducing County Attorney David DeBaun, who will be assisting the Deferred Compensation Board with legal matters.

Gabe D’Ulisse introduced Dan Morrison, Senior Vice President and Head of Empower’s Government and Taft Hartley markets.

Approval of Minutes

The first order of business was the approval of the meeting minutes of the May 3, 2022 meeting. After brief discussion the Board approved the minutes of the May 3rd meeting.

Empower Contract

Outside the presence of the Empower personnel the Board discussed the status and timing of the current Empower agreement, which was entered into with Prudential effective January 2017.

After discussion the Board approved the second one-year extension of the current agreement and directed that a request for proposals for administrative services be issued in early 2023.

Marsh & McLennan Investment report

Peter Scott presented fund performance and financial markets data through June 30th, with additional data as of the end of July and through August 15th. He noted that the equity market had a dismal 2nd quarter, with the S&P 500 dropping 16.1%. However, equity markets rebounded strongly in July, with the S&P 500 index gaining over 9% in that single month. Participants who did not sell at the market lows were rewarded somewhat for remaining patient.

Value-oriented funds outperformed growth funds as of June 30th. Small cap growth funds fell the most, with the Russell 2000 small cap growth index dropping 33% over the 12 month period ending June 30th. Only the energy sector had positive YTD returns (up 31.5%), with several major oil and gas stocks up 50% or more YTD. All major fixed income categories were negative with the Aggregate index down over 10% as of June 30th. Two year Treasury rates currently exceeded 10 year Treasury rates; this inverted yield curve often indicates a coming recession.

Peter noted that the Fed's rapid and steep interest rate hikes, rising energy prices and fears of continued high inflation have caused significant volatility in the financial markets both in the US and across the globe. The nation's GDP did decline for two consecutive quarters, the textbook definition of a recession, however the strong job market and rising wages make it debatable as to whether the economy is truly in a recession.

Fund Review – T. Rowe Price Growth

The T. Rowe Price Growth Fund is a Goalmaker component and the second largest holding of the plan, with nearly \$200 million invested as of June 30th. This fund has underperformed its category in 2022, as its focus on companies with strong growth prospects but in many cases no earnings has not served it well in 2022. It had lost nearly 25% YTD as of August 15th, placing it in the 90th percentile among large cap growth funds. The fund's poor down market performance and high standard deviation reflect the fund's higher volatility than the majority of its peers.

Peter recommended that the fund be placed on watchlist, with alternatives in this category to be presented at the next meeting. Given the sizable position in the fund, it may be possible for the Board to discuss performance with a T. Rowe representative. A motion was made and approved to place the T. Rowe Price Growth fund on watchlist, to be discussed further at the next meeting.

Potential Retirement Plan Legislation – The Secure Act 2.0

Peter then informed the Board of Congressional legislative activity aimed at improving retirement plan coverage and simplifying plan reporting and administration. The House and Senate are expected to work after the November election to pass legislation that would have the following impact on 457(b) governmental plans -

- Extend the required minimum distribution age from 72 to 75
- Increase the age-based catch up contribution limit to \$10,000 for older participants, with all catch up deferrals to be after-tax (i.e. Roth)

- Establish a “retirement lost and found” database for participants who lost touch with their retirement accounts
- Allow for hardship distribution self-certification by participants

As these changes are supported on a bipartisan basis, it is believed that the legislation will be attached to a “must-pass” budget bill by year end.

Empower Q2 2022 Report

Gabe D’Ulisse opened the discussion by introducing the Empower team, both in person and virtual. He introduced Dan Morrison from Empower, who thanked Nassau County for their continued partnership and spoke about current business agenda and upcoming communication strategies which include the fund change, Roth roll out and scheduled migration to the Empower platform.

Gabe announced that the plan’s Roth deferral option is officially live, and thanked Mike Grunwald and his team for all their help. He underscored that participants are staying the course with their investment allocations despite the market volatility and uncertainty.

Gabe reviewed some plan metrics as of June 30, 2022, including

- Plan assets dropped from \$1.9 billion in June 2021 to \$1.65 billion
- Stable value assets increased from 32.6% a year earlier to 38.6%
- The percentage of participants with loans fell from 10.4% a year earlier to 9.9%
- Deferral percentage increases grew significantly as did deferral rate decreases
- Despite market losses, the average account balance remained high at nearly \$156,000
- Participants age 55 or older account for 72% of plan balances
- Goalmaker utilization increased slightly to 42.5% of participants

Joe Fein reviewed the Goalmaker performance results, noting that the stable value component of the more conservative portfolios had helped relative performance. Joe also referenced a report from Empower’s senior economic consultant Robert DeLucia “Are Recession Fears Justified” written in July which predicted a low probability of recession in the next 18 months.

Dan Morrison of Empower discussed the Empower transaction and the commitment they have to plan participants and sponsors. He noted the importance of the relationships between the field reps and participants and how Empower made sure that Prudential employees were offered positions to stay with their plans. He gave more background on Empower, their history and experience as a leading provider in the field of employer sponsored plans, and their experience in migrating large plans onto the Empower platform.

He informed the Board that for now it is business as usual, with a migration to the Empower administrative platform scheduled for the 3rd quarter of 2023. He assured the Board that this migration will cause little if any disruption to plan participants.

Field Reports

Rocco Attanasio informed the Board of communication strategies regarding the Empower transaction and participant concerns regarding any changes to the team, their investments or their account access. Rocco talked about the team’s communication strategy of using hybrid methods, webinars, virtual meetings, text to enroll and digital enrollment. Also, the use of the online tools, help to keep the meeting sessions interactive and engaging.

Mike Ricciardi spoke about how the counselors work with retirees and future focus on participants contributing less than 5%, a group comprising 36% of participants. Mike noted that the Retirement

Income Calculator remains a highly effective tool for helping participants take action. Mike also spoke of the upcoming Roth rollout and a new flyer that Ellen Wilson and Danya Ziebell created, to be tailored to each counselor and their departments for distribution.

Nina Barbarino spoke about her efforts to communicate in-person Roth meetings. She spoke about the focus on enrollments and rollovers, and her use of the enrollment demo link to demonstrate how employees can set up accounts, which is particularly helpful for employees not permitted to use cell phones during their workday.

Jim Cordes spoke about how he has worked with the payroll department closely to help get the Roth set up and will assist with monitoring the first few enrollments to ensure they are processed correctly. He thanked the unions for their cooperation in allowing Jim and Ellen Wilson to be able to schedule meetings with union members.

Next Board Meeting

The Board scheduled the next meeting for Tuesday, November 15, 2022.

Adjournment

Having no further business, the Board meeting adjourned at 12:00 pm.