

Nassau County Deferred Compensation Plan Board

Meeting Minutes – November 15, 2022

On November 15, 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	EFPR Group	MMA
In person: Steve Conkling Michael Maloney David DeBaun Glen Tuifel Sean Mulligan Jeff Nogid Tom Iervese Harvey Liebman Via phone: Beaumont Jefferson	In person: Gabe D’Ulisse Mike Ricciardi Theresa Mansbart Robert Lamb Via phone: Joe Fein James Cordes Nina Barbarino Maria Vazquez Perez Ellen Wilson	Doug Zimmerman	Peter Scott

Board Chairman Steven Conkling commenced the meeting shortly after 10 a.m.

Agenda items included –

- Approval of the August 23, 2022 meeting minutes
- Approval of Revenue Sharing Lump Sum Distribution Policy
- EFPR Group Audit Report
- Plan Administrator RFP discussion
- Empower’s Q3 2022 Report
- Marsh & McLennan’s Q3 2022 investment report
- Other Business

Board Chair Steve Conkling opened the meeting by introducing Harvey Liebman of Nassau County’s Office of Management and Budget.

Approval of Minutes

The first order of business was the approval of the meeting minutes of the August 23, 2022 meeting. After brief discussion, the Board approved the minutes of the August 23rd meeting.

Revenue Sharing Lump Sum Distribution Policy

The Board next discussed the specifics of the distribution of excess revenue sharing amount to participants. After discussion and recommendations from Maria Vazquez Perez, the Board passed a motion to return excess revenue sharing amounts to participant accounts going forward under the following parameters –

A reallocation of \$1 million will be made to participants once the revenue sharing account reaches \$1.25 million. Each participant with a balance as of the last business day of the month in which the revenue account reaches \$1.25 million will receive a pro-rata allocation, provided that their reallocation share is \$5.00 or more. The reallocation will be posted as earnings. The reallocation will be completed by the last business day of the month following the month in which the revenue account reaches \$1.25 million.

Plan 2021 Audit Report

The Board then took up the audit report for 2021. The Plan's auditor Doug Zimmerman of EFPR Group presented the draft 2021 report which included the independent auditors' report, management's discussion and analysis, and financial statements including plan assets and changes in assets for years 2021 and 2020.

Mr. Zimmerman explained that the format of this audit report differed from prior years due to changes in accounting profession standards. The audit report package began with a two-page independent auditors report, which included the opinion of EFPR Group that

“the financial statements referred to above present fairly in all material respects the fiduciary net assets available for plan benefits ... as of December 31, 2021 and 2020, and the changes in its fiduciary net assets available for plan benefits for the years then ended, in accordance with generally accepted accounting principles...”

Mr. Zimmerman then reviewed the management's discussion and analysis, which included financial highlights and condensed financial information for the plan in 2021 and 2020.

After discussion, a motion was made to approve the 2021 audit report. The motion was seconded and the Board approved the motion. The Board thanked Doug Zimmerman for his presentation and Doug left the meeting.

RFP For Administrative Services

Steve Conkling noted that the contract with Empower would expire at the end of 2023, necessitating a request for proposal. Jeff Nogid and Glen Tuifel agreed to serve as the RFP committee and will work with Peter Scott, David DeBaun and Steve Conkling to prepare an RFP for release in 2023.

Empower Q3 2022 Report

Gabe D'Ulisse began his remarks by introducing Empower's Robert Lamb, a marketing/communication specialist who will be working on behalf of Nassau County. Gabe reviewed the timing and process for the migration of the plan to the Empower platform, expected to be completed by 3rd Quarter 2023. The migration will take place over the course of a weekend and will be preceded by significant participant communication. Gabe informed the Board that participants will need to re-register, and offered to provide a demo of the Empower tools and enhancements participants will see.

Gabe reviewed some plan metrics as of September 30, 2022. Highlights included -

- Plan assets were \$1.6 billion as of 9/30 and were currently \$1.685 billion
- Participant account balances averaged \$151,000

- Stable value assets increased from 38.6% last quarter to 39.9%
- The number of new and outstanding loans dropped slightly
- Year to date market losses for the plan were \$288 million
- Plan cash flow was slightly negative; distributions declined in comparison with last year
- Year to date rollovers were \$33 million and other distributions totaled \$23 million
- Deferral percentage increases grew significantly as did deferral rate decreases
- Participants age 55 or older account for 72% of plan balances
- Goalmaker assets were \$388 million as of 9/30, a \$99 million drop from January 1st.

Joe Fein reported that GoalMaker outperformed the T. Rowe Price target date funds for the past quarter and a trailing 5 years. Joe also discussed the Stable Value Fund portfolio, remarking that the portfolio has shorter duration than overall bond market which should help performance as interest rates stabilize.

Mike Ricciardi reported that rollovers were up 20% from this period last year. He reviewed Retirement Income Calculator usage and noted that 168 contribution increases during the quarter were attributable to the RIC. Mike also discussed the Roth rollout which included numerous well attended meetings. Mike also informed the Board of Nina Barbarino's retirement readiness meetings, which were well attended. Finally, Mike noted the deferral and catch up limits for calendar year 2023; deferrals are capped at \$22,500 and the ordinary catch up election for those age 50 and older increases to \$7,500.

Theresa Mansbart discussed how Roth rollout meetings led to even more sessions with invites to the AFA and NCCFT Union general membership meetings both in person and virtually. Ellen Wilson assisted at the NCCFT session with an information table and provided plan information to an additional 200 employees. Theresa shared with the Board an example of how the meetings led to a more comprehensive planning meeting with a faculty member couple.

Maria Vazquez Perez discussed procedures for correcting participant distributions that may require that additional earnings be credited or losses be recouped. Correction procedures include an account reconstruction and in some cases the Dept. of Labor's lost earnings calculator used by participant directed ERISA plans. Maria noted that the plan expense account has been used as a source of funds to reimburse the plan for participant overpayments that could not be easily recouped.

Marsh & McLennan Investment report

Peter Scott presented fund performance and market data through September 30th and also provided more current performance data through early November. Despite a strong performance in October the S&P 500 index had fallen almost 20% thus far in 2022, while the aggregate bond index was down over 17% year to date.

Peter reviewed and compared the performance of large and small cap growth and value equities, noting that value oriented equities continued to outperform growth stocks on a year to date basis through early November. He discussed the impact of increased interest rates on growth stocks in general, noting that many large growth companies that saw large increases in their stock price in 2020 and 2021 were no longer in favor, as investors focused on current earnings rather than growth projections. Fund managers who continued to hold growth companies with no earnings often experienced significant underperformance relative to their peers.

After reviewing current year to date performance of the plan's investments, Peter discussed the T. Rowe Price Growth fund, which was placed on watch list at the prior meeting. This large cap growth fund's underperformance continued as it maintained large positions in technology and consumer cyclical companies hard hit by interest rate increases. The fund's recent and long term performance and current holdings were contrasted with two five-star large cap growth funds from Calvert and JPMorgan, both of which demonstrated excellent long-term performance and had consistently high scores over time.

Following discussion, the Board requested that the T. Rowe Price Growth fund again be reviewed in depth at the next meeting in order to determine whether its replacement as a Goalmaker component, a standalone participant option, or both is warranted.

Next Meeting

The Board set the next meeting date for February 7th.

Meeting Adjournment

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