

Nassau County Deferred Compensation Plan Board

Meeting Minutes – March 9, 2022

On March 9, 2022, the Nassau County Deferred Compensation Plan Board held a regular quarterly meeting at One West Street and via video conference.

Attendees:

Nassau County

Prudential

MMA

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

Agenda items included –

- Approval of the November 30, 2021 meeting minutes
- IRS Audit Update
- MMA’s Q4 2021 investment due diligence report
 - Retirement plan litigation, fiduciary responsibilities and governmental immunity
- Prudential's Q4 2021 report
- Revenue Sharing
- Other Business

Steve opened the meeting by addressing recent personnel changes, noting that one vacancy on the committee will need to be filled. Steve will work with Dan Grippo in the County Attorney’s Office regarding the procedures for recommending a new board member to the County Executive.

It was noted that with a number of Board members attending via conference call that a voting quorum was not present. The approval of the meeting minutes of the November 30, 2021 meeting will be addressed at the next scheduled board meeting.

EFPR Audit Update

Steve reported that the EFPR Group is ready to finalize the 2020 audit report and has started working on the 2021 audit.

IRS Audit Update

Steve provided an update on the IRS audit of the Deferred Compensation Plan. Steve sent responses to the IRS reviewer regarding their questions on handling of excess deferrals. The reviewer confirmed that they have received all necessary information. The plan is now awaiting a response from the IRS closing the audit.

MMA Report

Peter Scott of MMA provided an investment update both through the end of Q4 and as of the end of February. He addressed equity and bond performance, highlighting both the substantial Q4 2021 gains in equity performance and the correction that has characterized the first nine weeks of 2022. The performance differences among large and small cap growth and value equities was also reviewed, as was the comparative performance of domestic and international equity markets in 2021.

Two funds were addressed in greater detail. **American Century Mid-cap Value** fund had received a low score for the third consecutive quarter. While the fund had gained 23% in 2021, it had lagged its peers and benchmark, finishing the year in the 91st percentile. In the current market downturn however, it has significantly outperformed; as of the meeting date it was a 16th percentile fund in its category, outperforming both its category average and index. Peter advised that if the fund's outperformance continues, its next quarter scores may bring it back to acceptable levels. If performance lags, replacement alternatives will be reviewed for the Board.

Peter then addressed the **Invesco Developing Markets** fund, which lost 7.25% in 2021, significantly lagging its peers and benchmark. The fund's managers attributed the poor 2021 performance to an overexposure to Russia and China as well as poor stock selection in those countries. Its worst holding was a Russian internet company Yandex which at one point comprised 3.5% of the fund and at the time of the meeting had become worthless. Morningstar recently downgraded the fund from a 4 star to a 3 star fund. Peter will bring alternative funds to the Board for consideration at the next meeting.

Retirement Plan Litigation

Peter also provided a brief synopsis of a recent Supreme Court decision regarding Northwestern University and its 403(b) program. The litigation involved the appropriate standards under ERISA regarding the review of investments within plans and related expenses. The Supreme Court reiterated earlier guidance that ERISA requires plan fiduciaries to review funds on a regular basis and remove poor performing or overly expensive funds within a reasonable time. Peter affirmed that the investment and expense review processes used by MMA for the Plan meet the rigid fiduciary requirements applicable to plans subject to ERISA.

Peter also advised with regard to governmental immunity as applicable to the Board members for decisions made by the Board. He reviewed New York State case law that consistently held that government employees are immune from liability when they conduct governmental functions that involve discretionary decisions. He noted that there have been no reports to his knowledge of litigation advanced against governmental deferred compensation plan sponsors.

Prudential Report

Gabe D'Ulisse provided Prudential's Q4 2021 report. Gabe's overview had four components - an update on the Empower transaction, plan metrics and observations, the expense reimbursement and field report from the representatives.

Gabe began by discussing the Empower transaction which has a tentative closing date of April 1st. He reiterated that Prudential's team servicing Nassau County will not change, and the transition from Prudential's to Empower's recordkeeping platform will not occur until 2023. The Board also inquired as to the documentation if any that would accompany the transaction.

Gabe provided some statistics regarding the plan as of December 31st, including:

- Plan assets reached \$1.96 billion dollars, however 2022 YTD assets were some \$200 million lower
- The average account balance was \$184,000
- The average deferral rate of participants was 13.6%.
- GoalMaker assets rose to \$487 million
- 56% of participants signed up for a delivery of statements and correspondence
- 2021 enrollments (422) represented an 87% increase from 2020
- Total 2021 contributions were \$64.5 million, down \$3.3 million from 2020
- The plan experienced a negative cash flow in 2021 of \$25.6 million due primarily to distributions at early retirement.
- Total investment gain was nearly \$200 million in 2021

Joe Fein discussed the stable value rate, noting that it could take some time for higher fixed income yields to be reflected in crediting rates. The stable value component of GoalMaker has helped GoalMaker performance in 2021 as compared to negative bond yields. Joe noted that the GoalMaker portfolios have performed in line or better relative to their comparable T. Rowe Price counterparts as of December 31, 2021.

Field Representative Reports

Theresa Mansbart informed the Board of an upcoming financial wellness webinar and of the cooperation that the college's HR department has provided.

Nina Barbarino provided statistics that highlighted the high volume of retirements and the success in having participants defer all or part of their separation checks. In 2021 there was \$3.5 million in plan contributions from separation payments to 137 participants, and thus far in 2022 separation pay contributions have already reached \$2.56 million from 130 participants.

Jim Cordes mentioned how successful the team continues to be conducting virtual Webex presentation and one-on-one meetings with participants. Participants are generally maintaining their account allocations; some are moving money to a more conservative allocation in response to market volatility.

Ellen Wilson shared a recap of the Financial Wellness seminars hosted by the Nassau Police Wellness Committee she presented in January. The two live sessions were well attended. Ellen provided a web demo of the participant website and its features for participants, including information on how to schedule virtual 1 on 1 meetings.

Maria Vazquez Perez discussed the finalization of the Roth directive to be added to the plan and at Steve Conkling's request reviewed the updated QDRO process for the plan.

Danya Ziebell informed the Board that marketing materials are ready to go to introduce the Roth option to the participants.

Mike Ricciardi discussed the team's success in reaching participants through the virtual platform, noting that enrollments nearly doubled in 2021 and Goalmaker participation is steadily increasing. Usage of the Retirement Income Calculator continued to increase with one-third of RIC users increasing their deferral rate. He also shared an email from a retired police officer complimenting the assistance that Ellen Wilson has provided recently and over time.

Revenue Sharing Account

Gabe reviewed the revenue share data and calculations; Maria Vazquez Perez noted that the revenue sharing account balance was approximately \$2 million with a \$1.25 million distribution to participants to go out shortly.

QDRO procedures

Steve Conkling wrapped up the meeting with a brief overview of Prudential's revised QDRO handling procedures. Going forward, a participant's account will be restricted on receipt of a draft QDRO rather than a final QDRO.

Next Meeting

The Board set the next meeting date for May 3rd.

Adjournment

Having no further business, the meeting was adjourned at 12:10 pm.