

Nassau County Deferred Compensation Plan Board

Meeting Minutes – May 3, 2022

On May 3, 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

MMA

In person: Steve Conkling Tom Iervese Jeff Nogid Pat McDevitt Beaumont Jefferson Michael Maloney Sean Mulligan Thomas Houghton Glen Tuifel Daniel Gregware Via phone: Dawn Wood Jones Michael Grunwald Helen Carlson	In person: Gabe D’Ulisse Joe Fein Rocco Attanasio Nina Barbarino Mike Ricciardi Via phone Ellen Wilson Maria Vazquez Perez Theresa Mansbart James Cordes Danya Ziebell	In person: Peter Scott
--	---	---------------------------

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

Agenda items included –

- Approval of the November 30, 2021 and March 9, 2022 meeting minutes
- EFPR (Plan Auditor) Contract Extension
- Empower Q1 2022 Report
- MMA’s Q1 2022 investment due diligence report
- Roth Feature implementation update
- Other Business

Board Chair Steve Conkling opened the meeting by introducing Deputy County Attorney Daniel Gregware, who replaced Dan Grippo as the County attorney assigned to help with Deferred Compensation Board matters.

Approval of Minutes

The first order of business was the approval of the meeting minutes of the November 30, 2021 and March 9, 2022 meetings. After brief discussion the Board approved the minutes of both meetings.

EFPR Audit Contract

Steve note that the contract with EFPR for plan auditing services would expire in June 2022 unless extended, and requested the Board’s sentiment on exercising the first of two possible one year extensions

of the contract. After discussion, the Board unanimously voted to extend the contract through June 30, 2023.

Empower Q21 2022 Report

Gabe D’Ulisse provided an overview of the successful acquisition of Prudential’s retirement services business by Empower effective April 1st. Gabe conveyed the following statistics regarding the transaction and Empower’s market position –

- 1,950 Prudential associates moved to Empower
- Empower ranks #2 in plan recordkeeping with 11,400 total associates, 17 million participants, 71,000 plans and \$1.45 trillion under administration.

Gabe reassured the Board that for the present, it will be business as usual. The Nassau County plan will migrate from Prudential’s to Empower’s recordkeeping platform at some point in 2023; the plan migration schedule will be released this summer.

The Board discussed the timing of the current plan administrative contract; the contract was extended for one year through November 2022 and is eligible for a second one-year extension at that time.

Gabe then moved on to discuss plan statistics, noting that market volatility, labor shortages, the lingering impact of Covid and waves of early retirement had affected employers and workers alike.

Plan trends and statistics as of March 31st included -

- \$1.84 billion in assets (\$1.73 billion as of May 2nd)
- 10,500 participants and \$174,000 average account balance
- Distributions - \$13 million rollovers out, people consolidating accounts, moving out of state
- Net cash flow was negative, with Q1 distributions exceeding contributions by almost \$3 million
- Goalmaker comprised 42% of assets, with 4,500 participants using Goalmaker
- Loans flat
- Enrollments are lower than one year ago
- e-delivery usage increased
- Participant call volume increased as market volatility increased

The Board discussed the trends in early retirements and reviewed the plan distribution rights available to in-service participants. The effective date of the plan amendment regarding in-service distributions was noted as May 20, 2022.

Rocco Attanasio provided a high-level overview of the matter handled by the Empower retirement counsellors. The top three participant questions to the counselors have been

- Are you staying?
- Will the investments be the same?
- Will my login stay the same?

Rocco reported that participants are relieved to learn that the response to all questions is yes. Rocco concluded by providing a high-level overview of the return to the field strategy, noting that counselors are in the field and holding virtual meetings.

Mike Ricciardi – addressed the Board, informing them that the Roth feature would be available as of May 20, 2022. Empower will be updating forms and the website. Mike provided details on the communication campaign to inform participants of the Roth feature.

Nina Barbarino discussed the rollover of Q1 separation checks into the plan. For Q1, a total of 125 separation checks brought \$3 million into the Plan. Nina provided details into plan enrollment activity by the counselors across the various departments and locations.

MMA Investment Review

Peter Scott provided an overview of the current financial market and the plan's fund performance both as of Q1 and of late April 2022. Peter noted that due to a number of factors including inflation, rising interest rates, the war in Ukraine and its effect on trade and oil, and China's response to resurgent Covid, both the S&P and corporate bonds were down 12% or more for the year.

Peter reviewed how growth stocks – both large and small – had given back much of their 2021 gains while value stocks as a whole recognized only a portion of the losses experienced by growth stocks and growth-oriented equity funds. He reviewed recent fund performance against category averages year to date and noted that funds that achieved top rankings during the long bull market were suddenly in the lowest quartile thus far in 2022.

Peter then addressed the **Invesco Developing Markets** fund, which lost 33% over the past 12 months and has been downgraded to a 2-star fund by Morningstar. Its current score had fallen to a 33 due to its 1, 3, 5 and 10-year performance falling below standards. The fund's underperformance against its category and benchmark YTD is due primarily to the fund's Russian stock holdings and poor stock selection in China.

Peter spoke about the risks inherent in the emerging markets category and recommended that a replacement fund have lower than average volatility and have better than average down-market performance. He reviewed several emerging markets funds and provided statistics that supported the recommendation that the American Funds New World Fund replace Invesco Developing Markets.

After discussion, the Board passed a motion to replace Invesco Developing Markets with American Funds New World Fund Class R-6 (ticker: RNWGX), a 5-star fund that has demonstrated high returns and lower risk relative to the emerging market category.

Peter then gave an update on Department of Labor's Compliance Assistance Release in which the DOL advised plan sponsors of its concerns that cryptocurrency and related crypto products were not suitable investments for ERISA-regulated plans. In the Release the DOL detailed why it viewed cryptocurrency and related products as imprudent investments. Shortly after the DOL Release, Fidelity announced that it would soon make available to its 401(k) clients a bitcoin-based Digital Asset Account which would allow 401(k) plans to offer a crypto option to participants.

Next Meeting

The Board set the next meeting date for August 2nd.

Adjournment

Having no further business, the meeting was adjourned at 11:45 am.