

**DRAFT MINUTES OF THE TOWN OF GILBERT, ARIZONA DEFERRED COMPENSATION
BOARD OF TRUSTEES MEETING
VIRTUAL MEETING VIA WEBEX, GILBERT, ARIZONA
March 5, 2024**

MEMBERS PRESENT: Hakon Johanson, Chairperson
Michael Burkhart, Secretary
Ray Savoie

MEMBERS ABSENT: Hondo Judd

STAFF PRESENT: Donna Pedrera, Sr. Benefits Analyst – Total Rewards Team

GUESTS PRESENT: Matt Gayman, Nationwide
Gordon Tewell, Innovest
Troy Jensen, Innovest

1. Call to Order

Mr. Johanson called the meeting to order at 4:32 PM.

2. Roll Call

Ms. Pedrera called roll and a quorum was declared.

3. Review and Approval of the 845 Provision called “HELPS” Act effective January 1, 2024 – Nationwide

Discussion; Possible Action by Motion

Mr. Gayman reviewed the 845 Provisions know as the “HELPS” Act as part of the Secure Act 2.0, effective January 1, 2024 with the Board. Mr. Gayman explained that this Act allows a public safety member to take up to a \$3,000 distribution per year from either their 457 or 401(a) plan to be used for their healthcare premiums without incurring any penalties, and with this change will allow the distribution to be paid directly to the member. Mr. Gayman asked if there were any additional questions, with no questions Mr. Savoie made a motion to approve the addition of the 845 Provision “HELPS” Act to the plan to allow payments to be made directly to members, Mr. Burkhart seconded the motion. *The motion passed 3-0.*

4. Review of Administrative, Legislative and Economic Reports – Nationwide

Discussion only.

Mr. Gayman, Nationwide advised the Board that Nationwide just received for the 10th consecutive year the 2023 DALBAR award in recognition of exceptional telephone support to public and private sector, retirement plan. Mr. Gayman began his presentation by sharing his screen showing the 4th quarter 2023 Combined Town of Gilbert 457 & 401(a) Plan Sponsor Quarterly Statement 2023, for period ending December 31, 2023, stating that the plans ended with over \$60 million in assets due to strong growth in in the 4th quarter. Mr. Gayman moved to page 3 showing the Board the data on the 457 and 401(a) Loans, which showed a balance as of October 1, 2023 of \$912,400.83 but as of December 31, 2023 the loans increased to \$973,648.64, with \$96,000 paid in principal and \$157,773.37 in loan disbursements paid from the plan, concluding that some of the members are starting to use the loan provisions more, but lower usage compared to other peer plans. Mr. Gayman stated that this is something that the Board should be aware of, but no action required. Mr. Gayman moved on to the next page showing the Investment Performance

information pointing out the annual plan asset fee of 0.065% and the performance of the plan assets which was great for the year end. Bonds had a really strong 4th quarter, which brought them into the positive for the year. Mr. Gayman moved on to the plan dashboard and reviewed the executive summary year to date results which showed 74 new enrollments in the plan year to date over last year. There was growth in assets with a total of \$67.5 million in total assets and 897 individuals enrolled with 652 actively deferring. Mr. Gayman moved on in the report showing the online engagement which showed that of the 897 enrolled 780 members had enrolled in an online account. The report showed that 58% of the members are retirement ready as they have engaged with the interactive retirement plan tool. Additionally, the average contribution amount is \$529 per pay period which is very strong and 8% of the members have an automatic increase in their contributions. There is good diversification of the members' contributions. Moving on to the last page Mr. Gayman commented that the Pro Account has about \$2,000,000 in account assets within the plan and about \$8 million dollars in assets in the Schwab Personal Choice Retirement Account. Mr. Gayman asked the Board if they had any questions. The Board did not have any questions, so Mr. Gayman moved on to review the Executive Summary of the 401(a) plan stating that the plan had about \$2 million in assets at the end of the year. With no additional comments or questions from the Board, Mr. Johanson thanked Mr. Gayman and moved on to Agenda item five.

5. Review and Approval of the Investment Policy Statement (IPS) for the 457 & 401(a) Plans for 2023 - Innovest

Discussion; Possible Action by Motion

Mr. Tewell, Innovest shared his screen showing the Investment Policy Statement for the Town of Gilbert for the 457 and 401(a) Plans and reviewed the red lined changes made in in the Statement, stating that there were a number of changes made but not significant changes, and that the Statement had been reviewed by outside Counsel. Mr. Tewell reviewed all of the major changes with the Board. Mr. Tewell asked if the Board had any questions, with no questions Mr. Johanson asked for a motion from the Board. Mr. Burkhardt made a motion to approve the changes made to the Investment Policy Statement, Mr. Savoie seconded the motion. *The motion passed 3-0.*

6. Review of the 4th Quarter 2023 Investment Performance Reports of Deferred Compensation plans - Innovest

Discussion only.

Mr. Jensen, Innovest shared his screen showing the 4th Quarter 2023 Portfolio Review, beginning with the Fiduciary Topics and Trends which gives an update on the status of the Secure Act 2.0 and all of the provisions that come from it. Stating that some will apply, and some will not but those provisions that are required will automatically be going into effect with the assistance of Nationwide. Mr. Jensen touched on a few key provisions of the Secure Act 2.0 effective in 2024 one provision such as the Employer Contributions on a Roth Basis which is an optional provision, stating that no one is interested in implementing this provision due to difficulty in the tax reporting. Catch-up Contributions must be Roth was another provision that has been pushed back two years due to difficulty in tracking and implementing the provision. Two other provisions for 2024, the Force-out Distributions and Emergency Savings Accounts both optional provisions affect the way dollars come out of retirement plan savings, both are optional and will be presented to the Board once they become available. Mr. Jensen briefly touched on some upcoming 2025 provisions stating that there were no action items.

Mr. Jensen moved on in the Portfolio Review document showing the Investment, Recordkeeping and Administrative Costs of the plan which are 0.50% relative to 0.90%, which is the benchmark. The structure for the plan fees are all stated in the dashboard view document. Moving on, Mr. Jensen showed the Plan Asset Allocation page, Mr. Jensen stated that the plan assets grew substantially, which is a good result and

can be attributed to market performance. Forwarding on to The Markets, Mr. Jensen commented that the markets were the opposite of what we saw in 2022. Large cap stocks had the best performance at 26% for the year which came from just seven U.S. Stocks mostly tech companies which drove most of the return. Everything was positive for the 4th quarter and for the full year. Core fixed income was up for the 4th quarter, it would have been a bit negative if not for a robust 4th quarter and bonds being also up. Mr. Jensen reviewed the Recap of 2023 to include 1) extensive monetary tightening put in place by the Federal Reserve (Fed) over the last two years led to some cracks in the economy – with regional banks and commercial real estate facing significant challenges; 2) The Fed effectively declared a win on inflation at their December meeting, holding rates steady at 5.25% to 5.5% and signaling the possibility of three quarter-point cuts in 2024. Moving on to Inflation, Mr. Jensen stated that inflation continues to trend lower, with 2022 numbers at a 9% high point, but remains above the Fed's long-term target of 2% at 3.1% as of November 2023. Consumers are showing signs of stress with credit card debt increasing.

Mr. Jensen then moved on to show the Equity Performance as of December 31, 2023 stating that the large cap growth stocks had 30% growth, small value stock had 14.6%, and value stock tapered off a bit. Value Stocks over 3 years were the best performer. Reviewing the Sector Performance, Mr. Jensen stated that IT and Communication services had over 55% return in those two categories. Mr. Jensen asked if the Board had any questions on the markets or anything he touched on, with no questions he turned the presentation over to Mr. Tewell.

Mr. Tewell, Innovest, then moved on in the report to show the Manager Scorecard which shows the performance of the funds in the plan. Mr. Tewell stated that there are a few funds with color, and reminded the Board that action was taken to change the Hartford Midcap fund, and the change occurred in the early part of January of 2024, which is why it is still shown on the report. It will be replaced by the new Janus Henderson Enterprise Fund that was selected and approved by the Board. There are some minor concerns about the Scorecard one being the T Rowe Price Blue Chip Growth fund for both performance and asset base. The fund has underperformed and has experienced greater than 30% outflows over a 12-month period. Innovest is not recommending the Board take any action at this time to replace. Another fund of minor concern is the Hartford Midcap due to under performance, and also American Funds Euro Pacific fund is a concern due to performance because of the buying those growth companies outside of U.S. No action recommended at this time. The Nationwide Fixed fund also has a minor concern, due to performance, but the fund is still achieving its intended goal. No action recommended.

Mr. Tewell then moved on to the Table of Returns, stating that there had been some spectacular returns. The large rapidly growing companies being the best place to be. The T Rowe Price fund was up over 49% for the year. Dodge & Cox, which invests in more traditional, stable type companies, was up 17% for the year. American funds Euro Pacific Growth fund had good 10 year and 7 year numbers, but the 3 and 5 year numbers need to improve. American Funds Target Date funds more conservative funds, modest year up 10.4%, the quarter was very good for most of these funds. Mr. Tewell asked if the Board had any questions, not hearing any, Mr. Johanson moved on to agenda item seven Staff Update and Future Meetings. Thanking Mr. Tewell and Mr. Jensen.

7. Staff Update and Future Meetings

Discussion only.

Ms. Pedrera stated that the only update she has is that Ms. Feilbach with Nationwide was on site today conducting meetings with employees, this also occurred last month. This is a great way for Nationwide to provide financial advice and assistance to the employees and may also result in an increase in enrollments. Ms. Pedrera asked if the 1st quarter reports would be available in late May. Both Innovest and Nationwide stated that they would be. Ms. Pedrera stated she would send out an email to the Board with some dates in early June after Memorial Day and they can respond with their availability. Mr. Johanson asked if there was anything additional that the Board wanted to discuss on the next Agenda, the Board did not have any additional items for the next Agenda, so he moved to the next Agenda item.

8. Review and Approval of Minutes of from the December 4, 2023 Meeting

Mr. Johanson asked for any discussion or corrections on the minutes. No Discussion. Mr. Burkhart made a motion to approve the minutes from the December 4, 2023 meeting. Mr. Savoie second the motion. *The motion passed 3-0.*

8. Adjournment

Mr. Burkhart made a motion to adjourn the meeting. Mr. Savoie seconded the motion. *The motion passed 3-0.* The meeting adjourned at 5:29 pm.

Hakon Johanson, Chairperson

ATTEST: _____
Michael Burkhart, Secretary