

**Smart Savings Committee Meeting
(aka Deferred Compensation)
February 13, 2020 @ 2:00 p.m.
Board of Supervisor's Conference Room**

Attended

Maricopa County – Brandon Newton, John Lewis, Frances Dairman, Lee Ann Bohn, Jan Plank, Max Porter, Alicia Snarr, Monica Pimentel and Charlotte Marz

Nationwide Retirement Solutions – Jim Keeler and Andee Gravitt

SageView – Jake O'Shaughnessy

1. Call to Order

The meeting was called to order at 2:02p.m. by John Lewis.

2. Approval of Open Session Minutes for November 14, 2019

John Lewis asked for Motion to approve November 14, 2019 Minutes. Motion was made by Monica Pimentel and seconded by Max Porter. Motion carried by unanimous vote.

4(a). ProAccount Process

Wilshire, an independent third-part Financial expert provides consistent, unbiased methodology for determining participant investment allocations for those that elect to utilize this service. Using a third-party manager such as Wilshire provides both independence and allows Nationwide to focus on the delivery a consistent participant experience across all of their service solutions:

Once enrolled into ProAccount a participant is assigned to a portfolio which provides an asset allocation model designed to improve a participant's retirement readiness.

Each Participant provides important information and retirement goals to Wilshire as part of the process to customize their retirement solution.

Evaluating participant data on an ongoing basis may result in assigning the participant a new portfolio to put them in a better position to reach their goals as their career matures and their individual situation may change.

Monitor all portfolios and the investments as needed.

ProAccount contacts participants each year for updated information and incorporates changes into their portfolio.

After reviewing an employee's goals, research, select, and adjust their portfolios based on their updated needs.

Monitor individuals portfolios performance, making adjustments as necessary along the way.

My Investment Planner is powered by Wilshire. Participants can access on their own as it is web based and at no additional cost, provides Guidance on asset class recommendations, and Advice on fund-specific recommendations. Investment planner is not for everyone. For those would want a more personalized approach would go with Nationwide ProAccount.

6. Bylaws

Bylaws updated for the selection of committee members (Section 2 – Deferred Compensation Committee) which aligns to the County’s current job title(s) along with changing the County Manager designee(s) to two members. In addition, Section 5 - Roles and Responsibilities of Counsel had been updated by striking out Section 5A. Other minor changes to the Bylaws for we made for clarification purposes. Motion was made by Monica Pimentel and seconded by Frances Dairman. Motion carried by unanimous vote.

4(e). Participant Website Enhancements

Participant Website Enhancements will include Modernization, Personalization and Self-Service.

January 2020 Online withdrawal self-service Enabling a participant to request withdrawals online via guided experience (Termination, Retirement, Disability, In-Service).

March 2020 Account Navigation- Modernizing the navigation by shifting from a left navigation to a mega menu navigation for the Participant & Plan Sponsor sites.

Q3 Account Summary- Redesign of pre- and post-login account summary experiences with new modern look, introducing new functionality.

Q4- Enabling straight through processing and real time status tracking of withdrawal requests; Enhancing the account summary page & website authentication, and updating and improving high traffic self-service pages.

Sooner or later website enhancement change will look occur. Communication will take place on the web banner.

Motion was made to early adopt website enhancements (end of March 2020) by Monica Pimentel and seconded by Alicia Snarr. Motion carried by unanimous vote.

3. SageView-Investment Performance Report

2019 was a banner year for capital markets, with the S&P 500 finishing up 31%, its best performance since 2013. Both at home and abroad, capital markets defied expectations from just 12 months earlier when potential interest rate hikes, trade tensions, and a global economic slowdown threatened this 11-year expansion. The new decade starts with record low unemployment, bullish consumer sentiment, subdued volatility, and historically low interest rates. We are, however, in an election year, and recent election years have been marked by heightened volatility.

At the end of the quarter, the U.S. and China announced they had come to terms on a Phase 1 deal in which China will increase its purchases of U.S. farm goods and other U.S. exports in exchange for the cancellation of new U.S. tariffs on \$156 billion of Chinese imports. The deal is expected to be signed in January. Though details remain to be seen, China made commitments on intellectual property improvements, including trademark issues and pharmaceutical rights. The deal also prevented the forced transfer of technology from firms entering the Chinese markets. U.S. tariffs of 25% remain on \$250 billion worth of Chinese goods. Phase 2 negotiations have yet to be scheduled.

The Federal Reserve cut its benchmark interest policy rate to a range between 1.50% - 1.75% at the FOMC meeting October, the third cut for 2019. Chairman Jerome Powell cited weakening business investment and slowing global growth as factors in the decision. Concurrently, the Fed continues its purchases of short-term U.S. Treasury bills to “grease the wheels” of the overnight repo market. Federal Reserve policymakers are now taking a “wait and see” approach entering into the new decade.

Prime Minister Abe’s cabinet approved a \$120 billion stimulus program in December, Japan’s largest in more than 3 years. Economic activity has been subdued over the second half of the year by the sales tax increase, Typhoon Hagibis, and continued trade tensions between the United States and China.

The United States and China agreed to a Phase 1 trade deal in December that will prevent further tariff increases on goods shipped to the U.S. and de-escalate a trade war that has hurt global economic growth. Economic growth continues to remain weak. However, China’s manufacturing sector continued to expand in December, adding evidence that China’s economy may be stabilizing.

All major U.S. Equity indices posted positive returns in excess of 20% in what was a banner year for capital markets. In Q4, both large and small cap growth stocks were the best performing asset classes. With the exception of Real Estate, all sectors ended positive for the quarter, a stark contrast to the end of year 2018.

Since the financial crisis, the growth in US equity prices has tripled that of international equity prices, leading to loftier valuations domestically. In addition to more attractive valuations, international dividend yields are also significantly higher relative to U.S equities.

The global search for yield continues, as roughly 25% of the global bond market exhibit negative yields. Domestically, spreads have compressed and the spread between BBB and BB rated corporates has tightened, even amid elevated corporate debt levels and abundant supply. The shape of the yield curve has normalized from the brief inversion in August between the 10-2 year treasury yield spread.

In late December, the US Census Bureau released data showing that the U.S. population grew in 2019 by a mere 0.5%, the lowest increase since the 1918 Spanish Flu Pandemic. In November, the National Center for Health Statistics reported that birthrate numbers were at record lows, continuing a negative trend since the 2008 financial crisis. This trend is expected to continue. As the labor pool

decreases, finding job candidates could prove more challenging, thereby increasing wages and decreasing GDP growth.

The continued rise of the middle class is a key theme in many developing countries. The higher consumption patterns that result are providing a tailwind for emerging market GDP growth and may have implications for market returns as well. Over time, a larger middle class will likely transform these export-driven economies increasingly into consumer-driven economies.

The majority of workers from the Baby Boomer generation (69%) expect to retire after age 65 or do not plan to retire at all, compared with 57% of Generation X and only 42% of Millennials. Additionally, more than half of workers across all three generations plan to work past age 65 in either a full or part-time position.

SageView discussed the circumstances surrounding Mark Denning's abrupt departure from Capital Group in September 2019. SageView will continue to monitor this situation and will provide an update to the Committee at a future meeting.

SECURE Act-Enacted as part of the appropriations package on December 20, 2019. It includes a wide-range of retirement provisions both effective retroactively, as well as beginning in 2020. Based on the IRS amendment calendar, qualified plans will need to be amended by end of 2022 plan year, unless extended by the Service. Optional provision to allow participants to withdraw up to \$5,000 for expenses related to childbirth or adoption.

Nationwide will follow up with the Committee on expected timing of SECURE Act implementation.

MIT Settles. MIT agreed to the largest to-date settlement of \$18.1 million, while the claims involving Fidelity were previously dismissed. In addition to the monetary relief, MIT agreed to: (1) conduct on-going, annual fiduciary training for 3 years, (2) conduct a RFP for recordkeeper within 120 days, and (3) return revenue sharing to the trust to either offset plan expenses or be rebated to participants.

Jake will reach out to John Lewis for Committee Online Fiduciary Training.

Vanguard Selected Value Inv and EuroPacific Growth Fund were placed on watch due to organizational change.

5. Maricopa County Smart Savings Incentive Update

Initial goal 1,250 enrollments. As of December 2019, 760 or 61% have taken advantage of program. Program started with \$2.5M Amount earned by employees as of Dec. 2019 is 380K. Department of Finance would submit an agenda item for FY21 Budget if, board approves Incentive Program would start rebranding campaign at the beginning of FY21. Andee will work with Charlotte on a census report and update the Committee.

4. Nationwide Retirement Solutions-Performance Report

The fourth quarter 2019 ending balance of \$580.74M represents a 5.58% increase in plan assets from the third quarter ending balance of \$550.03M.

Participant accounts in the plan grew from 12,127 in the third quarter to 12,405 in the fourth quarter.

\$10.26M in total plan contributions were received in the fourth quarter, including \$8.19M in participant deferral and \$2.07M in rollovers into the plan.

Total distributions increase from \$9.17M in the third quarter to \$11.25M in the fourth quarter.

332 additional participants were added to the ProAccount service in the fourth quarter. The service currently has 3,152 total participants with a balance of \$93.55M in assets.

19,015 total participant interactions occurred between in-person meetings, phone consultations, and the participant website. This includes the following in-person meetings: 243 individual meetings and 43 presentations/workshops attended by 606 participants and employees.

368 new enrollments were completed in the fourth quarter. This is a decrease of -165 from third quarter enrollments of 533.

438 participant increased their contributions in the fourth quarter. This is a decrease of -415 from third quarter increases of 853.

244 participants diversified their investments by completing an investment allocation change or investment exchange.

123 participants consolidated their retirement accounts by rolling and transferring assets from other plans. This is an increase of 43 rollovers/transfers in from the prior quarter.

Introduction from Tracy Childers, Nationwide Retirement Specialist.

As of February 12, 2020, Nationwide Phoenix Office relocated to 3300 N. Central Suite 600

4. (c) Retention/Stay in Plan Campaign

Move forward

4. (d) Nimbl App

Move forward

7. Comments from Committee Members

No comments.

8. Public Comments

No comments.

9. Motion to Adjourn

Motion was made to adjourn the meeting at 4:30 pm by Frances Dairman and seconded by Max Porter. Motion carried by unanimous vote.

Minutes Taken by: Sonia Venegas