TOWN OF PALM BEACH

MINUTES OF THE DEFINED CONTRIBUTION PLAN COMMITTEE MEETING HELD ON

Thursday, August 25, 2022

I. Call to Order and Roll Call

The Defined Contribution Plan Committee Meeting was called to order on Thursday, August 25, 2022, at 1:01 pm. On roll call, all appointed members were found to be present.

II. Approval of Agenda

Motion was made by Board Member Le Clainche, seconded by Board Member Marx, to approve the Agenda, as presented. Motion carried by unanimous vote.

III. Approval of Minutes – May 26, 2022 Meeting

Motion was made by Board Member Barth, seconded by Board Member Guelli, to approve the Minutes of the May 26, 2022 meeting, as presented. Motion carried by unanimous vote.

IV. Trustee Comments

There were no trustee comments.

V. Communications From Citizens

There were no communications from citizens.

VI. Presentation by AndCo Consulting, Paul Murray

a. Market Review

Mr. Murray provided an overview of the market environment and economy, stating that the first 6 months of 2022 rank in the top four worst 6 months start for all years on record. Economic growth slowed for the second consecutive quarter, the Fed raised interest rates several times to combat persistent inflation, and geopolitical events continue to disrupt supply chain and energy prices.

The S&P 500 returned -16% for the quarter-ended 6/30/2022 and the Bloomberg US Aggregate Bond Index retuned -10.3% for the same period. GDP growth contracted for the second consecutive quarter, which is often a predictor for looming recession. Value stocks declined less than growth stocks during the quarter, and international equities declined more than domestic stocks. The growth / technology stocks that have been leading the markets over the last 24 months fell off significantly in 2022, and defensive stocks in the Consumer Discretionary, Consumer Staples and Health Care stocks performed well on a relative basis.

b. Investment Performance Review

Plan Assets declined from the previous quarter, given the negative investment returns plus withdrawals outpaced deposits and earnings during the quarter and there were no material changes to the plan level asset allocation in any of the 3 plans. Mr. Murray noted that there are several funds that have failed to meet one or more of the Investment Policy objectives and we discussed each of them:

The T Rowe Price Blue Chip Growth Fund ($3.7 million invested, which represents 5% of total combined plan assets) now trails its benchmark and falls below the median in its peer universe over the past 5-year observation periods. Mr. Murray reminded the Board that there was a portfolio manager change when Larry Puglia retired at the end of 2021. Paul Greene, his successor, has been working side by side with Mr. Puglia for the last 2 years to ensure a smooth transition. Mr. Greene has been with T Rowe Price for a long time and previously ran an 'Information and Technology' Fund for them, which suits him well to cover and invest in the large growth tech names like Facebook and Google. Another driver of benchmark underperformance is that the weight of the top ten stocks in the R1000G Index has doubled over the last 5 years – form 25% to over 50%. This narrow concentration has made it very difficult for active manages to keep pace with this index, which has top decile peer group ranking over 3- and 5-year observation periods. AndCo stated that they do not have any fund change recommendations at this time, they will continue to monitor the funds and provide an update next quarter.

TCW Total Return ($2.3 million invested, which represents 3.5% of total plan assets) also underperformed its benchmark and is below its peer group median over the last 5 years. While this fund is widely diversified by the number of holdings (nearly different 600 bonds), their overweight to mortgage-backed securities has hurt performance in the short term. This fund has only failed to meet the IPS criteria for a few quarters, so no action is necessary at this time. AndCo will continue to monitor.

AndCo reviewed the MissionSquare Inflation Focused Fund ($1.6 million invested, which represents 2.5% of total plan assets) and Neuberger Berman High Yield Fixed Income Fund ($500,000 invested, which represents less than 1% of total plan assets) at a high level, stating that fixed income markets, and the sector rotation within the fixed income markets has been very volatile time during this time due to the rapid increase in interest rates that we have experienced during 2022. AndCo will continue to monitor these funds and may provide additional materials at a future meeting as needed.

c. Fiduciary Education

Mr. Murray referred to the fiduciary education module, which was focused on best practices for plan reviews with the recordkeeper, MissionSquare. AndCo suggests that the Committee have MissionSquare provide a comprehensive update on the 'plan health' and progress at least once per year.

The Committee should establish measurable goals each year; MissionSquare will execute a targeted communications program throughout the year; and MissionSquare should report on the plan's success towards achieving the stated goals at least annually. While MissionSquare has robust financial reporting, AndCo suggested that they should be presenting data that shows that the plan is improving the retirement readiness of plan participants.

d. Large Cap Value Investment Search

AndCo recommended BNY Mellon Dynamic as the replacement fund for Brandywine, after a review of two quarters in a row. The recommendation was to make the change as soon as possible.

Motion was made by Board Member Marx, seconded by Board Member Le Clainche, to approve replacing the Brandywine fund with BNY Mellon Dynamic, as presented. Motion carried by unanimous vote.

VII. <u>Presentation by MissionSquare, Dawn Van Dyck</u>

a. Q2 2022 Participant Engagement Update

Ms. Dyck presented in the absence of Steven Feigelis. MissionSquare has completed 111 consultations, three seminars, five Certified Financial Planning consultations, and 15 webinars this past quarter. The webinars and presentations focused on the market volatility ensuring employees are aware of the market and buying opportunity.

There were 61 enrollments, $2.3 million in plan contributions and $1.8 million in roll-overs. Financial wellness received 14 logins. The new website will be focusing on that tool using smart technology.

Ms. Van Dyck discussed the fund stability and minor changes in February 2022. She discussed stated that members are not making any drastic changes, less than 0.5 percent got out of stocks, 2.5 percent got out of target date funds, and there was an increase of 1.3 percent in stable funds.

b. MissionSquare Updates

Ms. Van Dyck discussed the new website, its features, and the changes that members would expect. There was additional conversation regarding the site's go-live date of October 10. There was discussion regarding the features of the new site and how employees would be notified and updated.

Ms. Le Clainche asked about Emergency Savings Account and if they were offered. Ms. Van Dyck explained that that option was not a retirement saving vehicle available.

Ms. Justice stated that information will be disseminating to employees at the appropriate time as it gets closer. Ms. Barth also added that information would be posted on TownNet.

VIII. <u>Any Other Matters</u>

No other matters were discussed.

IX. <u>Adjournment</u>

There being no further business, the Defined Contribution Committee meeting of August 25, 2022 adjourned at 2:06 pm.