TOWN OF PALM BEACH

MINUTES OF THE DEFINED CONTRIBUTION PLAN COMMITTEE MEETING HELD ON

Thursday, March 2, 2023

I. Call to Order and Roll Call

The Defined Contribution Plan Committee Meeting was called to order on Thursday, March 2, 2023, at 1:01 pm. On roll call, all appointed members were present with the exception of Mr. Marx.

II. Approval of Agenda

Motion was made by Board Member Miracle, seconded by Board Member Barth, to approve the Agenda, as presented. Motion carried by unanimous vote.

III. Approval of Minutes – November 14, 2022 Meeting

Motion was made by Board Member Guelli, seconded by Board Member Miracle, to approve the Minutes of the November 14, 2022 meeting, as presented. Motion carried by unanimous vote.

IV. Communications From Citizens

No one indicated a desire to speak.

V. Trustee Comments

There were no trustee comments.

VI. Presentation by AndCo Consulting, Dave West

a. Market Review

Mr. West provided a brief overview of the firm. He announced that three new partners were named and one long-term employee retired and explained a change to the organization chart. He provided an overview of the market environment and economy.

The S&P 500 was up 7½% for the quarter-ended 12/31/2022 and mid-cap stocks were biggest earners for domestic equity. He spoke regarding the decline in the dollar and the impact on international investments. He addressed the fluctuation of interest rates and a major disruption in the market. He spoke regarding the continued outperformance of the Value Manager in domestic equity. He pointed out the US Treasury Yield Curve and explained how the bond market is anticipating that rates in the future will be lower. He spoke regarding all-time low unemployment numbers in February and a retail sales figure that was very favorable.

b. Investment Performance Review

Mr. West stated that the total asset allocation of the 457 & 401a Plans, as of December 31, 2022, was $62,179,472, with the 457 Plan at $45,252,998; 401a Plan at $14,570,842; and 401a Fire Share at $2,355,633. He reviewed the asset allocation charts for each of the plans. He stated that there was no improvement in the T Rowe Price Blue Chip Growth Fund and stated that the firm is recommending replacing the fund. He stated that there has been too many changes in the management of the fund.

Mr. West stated that TCW Total Return also underperformed its benchmark during the quarter and spoke in support of continuing to monitor the performance during the next quarter.

c. Large Cap Growth Fund Recommendation

Mr. West provided background information on a recommendation from the firm to implement a fund change to the investments offered in the 457(b) and 401(a) Plans administered by MissionSquare. He stated that due to persistent underperformance, AndCo is recommending closing the T. Rowe Price Blue Chip Growth Fund. He stated that the recommendation for replacement is the Fidelity Large Cap Growth Index Fund. He provided further background on the index fund and explained the reasons for the recommendation to move to a passive manager. Ms. Barth inquired if this strategy is long-term, to which Mr. West confirmed, but stated that there will be continual monitoring to ensure that it is effective long-term. Mr. Miracle inquired if the fund currently invests in the Russell 1000, to which Mr. West responded. Mr. Miracle spoke in support of the recommendation to implement the Fidelity Large Cap Growth Index Fund. Chair Debrincat also spoke in support of the recommendation.

Motion was made by Board Member Barth, seconded by Board Member Miracle, to approve terminating the T. Rowe Price Blue Chip Growth Fund and implement

and map assets to the Fidelity Large Cap Growth Index Fund. Motion carried by unanimous vote.

Howard Brezak, MissionSquare explained the process for the transfer.

d. Fiduciary Education

Mr. West referred to the fiduciary education module and outlined the checklist of items that were accomplished during the quarter. He provided the updated contribution amounts for the year.

VII. Presentation by MissionSquare, Howard Brezak

a. Plan Review

Mr. Brezak introduced himself as the new Relationship Manager for the Town. He provided a review of all the plans, ending December 31, 2022. He stated that the trend of contributions and "roll-ins" was favorable in 2022 and spoke regarding the large number of disbursements in 2021. He spoke regarding working with retirees on the management of their funds.

He spoke regarding the trends in the participant asset allocation and stated that many of the participants were moving their accounts to more conservative funds. He provided graphics depicting where participants are putting their money. He spoke regarding the catch-up provision for participants who are over the age of 50. Ms. Justice requested clarification on the requirement for a Roth for certain participants.

Mr. Brezak spoke regarding the transition of the firm's record-keeping system to a new system and explained that there will be more online options for participants.

b. Secure 2.0

Mr. Brezak provided background information on the Secure Act and explained the provisions that impact employees this year and next year. Some of the changes include that the age of those affected has been increased to 73, the excise tax that applies to missed required minimum distributions has been reduced to 25%, and that the age 50+ catch-up provision must be in the Roth for employees whose 2023 salary is over $140,000. He explained changes in the self-certification requirement, the elimination of the "first day of the month" rule, Roth requirements on the higher catch-up provision. He spoke regarding a new expansion of 10% additional tax exception for public safety officers at age 50.

c. 2023 Education Planning

Mr. Brezak provided an overview of the plan for engaging participants and providing additional education opportunities.

Mr. Debrincat inquired if MissionSquare is automatically separating out funds for the new provisions for participants over 50, to which Mr. Brezak responded. Ms. Justice answered a question from Mr. Debrincat regarding this transition and how to notify the affected participants. Ms. Barth spoke regarding the possibility of using Zoom to engage those participants and stated that there is a new employee who is focusing on employee development. Ms. Justice requested that MissionSquare also provide information on Medicare. Mr. Miracle spoke regarding targeting specific employees who will be impacted by the 457 changes and inquired how to get the word out of changes to public safety employees, to which. Mr. Guelli responded. Ms. Barth spoke regarding using e-learning and Mr. Guelli recommended using NeoGov in order to ensure that employees complete the training. Mr. Brezak spoke regarding the 457 being voluntary so he would need assistance from the Town on how to reach other employees to distribute this information. Ms. Justice spoke regarding the difficulty of engaging younger employees and stated that there are also many employees entering DROP who don't understand what's available to them because they didn't care about this information until they were of age to enter DROP.

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 March 2, 2023, adjourned at 2:14 pm.