

## **BCC Meeting February 24, 2022**

**Attendance:** Barczak, Amy, Beebe, Luran, Bennett, John (Nationwide), Brown, Donna, Cabrera, Chuck, Corsette, Kelly, Doyle, Judy, Ganger, Darlene, Gravitt, Andee (Nationwide) Henthorn, Anna, Jensen, Troy (Innovest), Johnson, Ana Lia, Keeler, Jim (Nationwide), Keller, Katie, Melarkey, Rennie, Nacario, Paul (Innovest), Stockwell, Brent, Tewell, Gordon (Innovest) Valliere, Eric, Worth, Daniel

- Meeting was called to order by Luran Beebe at 2:02pm
- Troy Jensen from Innovest began their Q4 report with a 2021 firm update. As previously mentioned, he cited Innovest's 25<sup>th</sup> year anniversary and receiving "Best Places to Work" from Pension and Investments for the 7<sup>th</sup> time in 8 years. Troy followed with the 2021 Innovest Client Survey Results, showing an overall satisfaction score of 4.8 out of 5, a customer service score of 4.9 out of 5 and a net promoter score of 86 out of -100 to 100. The Innovest survey had over 200 clients responding. Troy continued with the 4<sup>th</sup> quarter retirement topics and trends, focusing on retention of plan assets for participants who separate from service. Participants have significant pricing leverage by remaining in the City of Scottsdale plan, current plan fees are 46 basis points for investment, recordkeeping, and administrative costs, while the industry average of similar sized plans equals 64 basis points. There are also benefits at the plan level for keeping assets in the plan from a pricing standpoint, more assets translate into lower plan fees. Troy then provided an overview of the City's current plan structure, addressing dates for IPS review, fee review, and share class review. Troy provided a review of the City's plan fees, menu and asset allocation for the 457 and PEHP plans.
- Troy then provided commentary on the markets for the 4th quarter, followed by commentary on the global economy, inflation, fixed income markets, US equity valuations, global equities, and sector performance. Troy addressed global economics and the growth outlook, stating that global GDP growth is slowing but expected to remain strong in 2022. However, while leading economic indicators reflect a strong recovery, economic momentum may have peaked. Global central banks have begun tapering asset purchases as they move towards a more normalized monetary policy and the markets expect central banks to begin raising short term interest rates to combat inflation. He addressed inflation, the surge in CPI, supply chain challenges and labor shortages. Stock valuations remain elevated globally, though international equities appear more reasonably priced than US equities. Regarding interest rates, Troy stated increased inflation has led to negative real yields for high-quality fixed income and that credit spreads remain tight relative to their historical averages. Hedge fund of funds, real estate and real assets like infrastructure, farmland and timberland have provided downside protection during prior equity market declines, an allocation to alternatives generally has reduced the expected downside risks of a portfolio. For the 4<sup>th</sup> quarter,

real estate led the way in sector performance, while the energy sector led the way for 1 year performance.

- Gordon Tewell from Innovest then reviewed the current investment options and Manager Score Card. Overall, the Manager Score Card for the City's investment options looked very strong. He cited 1 new minimum concern, 2 downgrades to a minor concern, 1 major concern and 1 new major concern. Gordon suggested that a search for the Cambiar International Equity be brought to the BCC for the next meeting.
- Gordon then led a discussion on a report for the Vanguard Index funds versus the Fidelity Index Funds, who currently are offering lower cost index funds. After discussion by the committee, no action was taken to replace the Vanguard Index funds.
- Nationwide began their report with Jim Keeler and Andee Gravitt reviewing their Plan Sponsor Health Dashboard. Jim addressed the activity for their representative for the 4<sup>th</sup> quarter, reviewed the plan's assets, participant count, new enrollments, deferrals, roll-ins, and rollouts. Jim also provided a legislative and regulatory update. Andee finished with enhancements on the My Interactive Retirement Planner to the planning tool, updating the rate of return for participants.
- Meeting was adjourned at 3:42pm