



## 2. STAFF REPORTS AND INFORMATIONAL ITEMS

### A. Segal Marco Fourth Quarter Investment Report

Jeffrey Nipp

Last year was better than the year before which was historically bad for bonds. In 2022 stocks were down double digits, but this reversed in 2023; the S&P 500, the International developed markets, and the emerging markets were all up double digits. In 2022, Energy was the only sector with positive returns in stocks, but last year Energy was the only one with a negative return.

The Oakmark Fund is close to working its way off the watch list, as it has outperformed for three years, but it is right on the benchmark for the five year. While the performance has improved, it should remain on the watch list.

The Vanguard Growth Index Fund has nearly a 47% return year-to-date, while the Value Index Fund had about 9%, which is a huge difference in style returns. Principal Mid-Cap is continuing to consistently do well. Boston Trust takes a conservative approach that triggered an under performance, which was expected.

The two new International Funds have been around for a few months, and they are off to a good start, ahead of their benchmarks. The State Street Real Asset Index Fund was the star performer in 2022. This has commodity exposure and is up about 1% for the year, but over the three-year period is up over 8%, which is one of the best returns in the plan over that period. Target Date funds all did well for the quarter.

#### I. Managed Income Fund Update

The long-time portfolio manager for the Managed Income Fund, Jim McKay, is retiring this year. The person stepping in for him, Eric Johnson, is not new to the organization and is working with a team of three people, all of whom will be working alongside the current manager until he retires. This is well planned and is not concerning to Segal Marco.

### B. Principal Fourth Quarter Report

Denise Jensen

#### I. Plan Overview

There was an increase in overall plan growth as of the end of December 2023; plan assets total \$1.58 billion compared to \$1.38 billion at the end of 2022. In 2023, the outstanding number of loans increased, and the loan balance increased by \$2 million. The average account balance increased across all four plans in 2023 compared to 2022. The headcount in the 401(k), 401(a), and SPSP-H plans increased, while it decreased in the SPSP.

The Roth 401(k) plan had an increase of nearly 700 participants in 2023, the total amount of assets in this plan is now worth \$5 million.

## II. Product Roadmap

Principals' commitment to the retirement industry from a total solutions perspective is illustrated as they are occupying and developing all aspects of retirement savings, including Defined Contribution, Defined Benefits, Non-Qualified, ESOPS, Trusts, Custody business, and Equity Comps.

The two biggest highlights for City of San Diego participants will be the personalized financial planning tool coming later in 2024. As we move into 2025, Principal is going to start to include Social Security, Medicare, Pension, and Legacy planning needs as well.

In 2025, we will also see modernization from a payroll perspective to allow the Roth money types to be invested differently than the pretax money type. SECURE 2.0 is requiring catch-up contributions from participants earning more than \$145,000 be treated only as Roth Contributions, and this modernization will allow participants to invest those monies differently than the pretax money type.

The City and Principal are both engaging in email campaigns targeting new participants who have not registered and enabled Multi-Factor Authentication (MFA). Creating an account does currently have a default requirement for MFA. There are some instances in which a participant can register without establishing MFA (i.e., not accepting cookies).

In April, Principal is coordinating with Cigna to provide financial literacy and education webinars for City employees.

In regards to the effort to repaper the service agreements for the City of San Diego, the City Attorney's Office requested a minor change which is being reviewed by Principal. Once that is resolved, the current, enhanced service agreement will be made available to the Trustees for signatures.

### C. Discussion of including individual stock purchase through brokerage window

Tom Brady

The Trustee Board added the Brokerage Window last year that allowed employees to invest in funds beyond the available investment line-up. The City has since received an inquiry from a participant who tried to purchase individual securities and they were denied that opportunity. When the account was set-up, only the ability to purchase Exchange Traded Funds (ETFs) and mutual funds were included, but individual stock purchases can be permitted in the Brokerage Window. Staff believes it was the Trustees intent to include individual stock purchases in the Brokerage Window. Therefore, the City will move forward with making this change to include individual securities as an investment option.

**3. COMMENTS FROM TRUSTEES, STAFF, ADMINISTRATOR, ATTORNEY**

None

**4. PUBLIC COMMENT**

None

**5. NEXT MEETING**

Wednesday May 15, 2024

**6. ADJOURNMENT**

Meeting adjourned at 2:11 pm

Backup documentation is available from the Risk Management Department