

**CITY OF PHOENIX
DEFINED CONTRIBUTION PLAN
SECTION 401(a)**

FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2022 AND 2021



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**CITY OF PHOENIX
DEFINED CONTRIBUTION PLAN SECTION 401(a)
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INDEPENDENT AUDITORS' REPORT

City of Phoenix Deferred Compensation Board
City of Phoenix Defined Contribution Plan
Phoenix, Arizona

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the City of Phoenix Deferred Compensation Plan (the Plan) as of and for the years then ended December 31, 2022 and 2021, and the related notes to the financial statements, which collectively comprise the Plan's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Plan as of December 31, 2022 and 2021, and the changes in financial position for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Plan and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Plan's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Plan's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Plan's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 5 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Austin, Texas
October 31, 2023

CITY OF PHOENIX DEFINED CONTRIBUTION PLAN
SECTION 401(a)
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2022 AND 2021

This discussion and analysis of the City of Phoenix Defined Contribution Plan's (the Plan) financial performance provides an overview of the Plan's financial position and activities as of and for the years ended December 31, 2022, 2021, and 2020. Please read it in conjunction with the Plan's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- Net position available for Plan benefits was \$696 million, \$792 million, and \$674 million as of December 31, 2022, 2021, and 2020, respectively. Changes in net position are primarily attributable to contributions, Plan investment income (loss), and distributions from year to year.
- Variable earnings investment income decreased by approximately \$208.8 million, from an \$88.5 million gain for the year ended December 31, 2021, to a \$120.3 million loss for the year ended December 31, 2022. Variable earnings investment income increased by approximately \$10.6 million, from \$77.9 million for the year ended December 31, 2020 to \$88.5 million for the year ended December 31, 2021. The fluctuations in earnings from year to year were primarily due to market conditions in each fiscal year. The Plan's overall average rate of return on variable earnings investments was -20.96%, 13.05%, and 13.9% for the years ended December 31, 2022, 2021, and 2020, respectively.
- Contributions decreased slightly from \$60.2 million for the year ended December 31, 2021 to \$59.7 million for the year ended December 31, 2022. Contributions increased by approximately \$8.5 million from \$51.6 million for the year ended December 31, 2020 to \$60.2 million for the year ended December 31, 2021. The decrease in contributions from 2021 to 2022 is primarily due to the number of vacancies at the time of reporting. The increase in contributions from 2020 to 2021 is mainly attributable to an increase in the number of participants receiving a fringe and special pay contribution. There were 12,597, 12,534, and 12,691 active Plan participants at December 31, 2022, 2021 and 2020, respectively.
- Distributions to participants increased by approximately \$4.4 million from \$32.9 million for the year ended December 31, 2021 to \$37.3 million for the year ended December 31, 2022. Distributions to participants decreased by approximately \$6.7 million from \$39.6 million for the year ended December 31, 2020 to \$32.9 million for the year ended December 31, 2021. The increase from 2021 to 2022 can be attributed to inflation seen in 2022 and a higher than expected growth in the retiree population. The decrease from 2020 to 2021 in distributions can be attributed to a decrease in the number of participants receiving a distribution from 2020 to 2021. Much of the decrease was driven by the adoption of the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) in 2020 that was not received in 2021. There were 1,759, 1,502, and 1,740 individuals who received a distribution from the Plan during 2022, 2021 and 2020, respectively.
- Administrative fees and asset fees collected or paid for the years ended December 31, 2022, 2021, and 2020 were approximately \$387,000, \$279,000, and \$121,000, respectively. The increase in fees paid in 2022 from 2021 is primarily due to the Board adopting a fee and expense policy statement in February 2022, which effectively charges a fee against all assets, including those in the self-directed brokerage option. The increase fees paid in 2021 from 2020 is due to the fee holiday which was implemented in the second quarter of 2020.

**CITY OF PHOENIX DEFINED CONTRIBUTION PLAN
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MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2022 AND 2021**

Overview of the Financial Statements

This financial report consists of the Statements of Fiduciary Net Position and the Statements of Changes in Fiduciary Net Position. These statements provide information about the financial position and activities of the Plan as a whole. These amounts are included in the Statement of Fiduciary Net Position in the City of Phoenix's financial statements.

**Table 1
Fiduciary Net Position**

	2022	2021	2020
Investments	\$ 694,915,735	\$ 791,338,278	\$ 674,138,395
Contributions Receivable	615,840	347,228	275,383
Net Position Available for Plan Benefits	<u>\$ 695,531,575</u>	<u>\$ 791,685,506</u>	<u>\$ 674,413,778</u>

**Table 2
Changes in Fiduciary Net Position**

	2022	2021	2020
Additions			
Variable Earnings Investment Income (Loss)	\$ (120,316,435)	\$ 88,522,822	\$ 77,921,946
Contributions	59,708,876	60,170,428	51,634,405
Interest Income	2,115,633	1,751,987	2,148,601
Total Additions	<u>(58,491,926)</u>	<u>150,445,237</u>	<u>131,704,952</u>
Deductions			
Distributions to Participants	37,275,128	32,894,247	39,608,128
Administrative Fees and Asset Fees	386,877	279,262	120,772
Total Deductions	<u>37,662,005</u>	<u>33,173,509</u>	<u>39,728,900</u>
Net Increase (Decrease)	<u>\$ (96,153,931)</u>	<u>\$ 117,271,728</u>	<u>\$ 91,976,052</u>

FINANCIAL CONTACT

The Plan's financial statements are designed to present users with a general overview of the Plan's finances and to demonstrate the trustee's accountability. If you have questions about this report or need additional financial information, contact the Staff Coordinator for the Deferred Compensation and Defined Contribution Plans, City of Phoenix Retirement Office at (602) 534-4400.

**CITY OF PHOENIX DEFINED CONTRIBUTION PLAN
SECTION 401(a)
STATEMENTS OF FIDUCIARY NET POSITION
DECEMBER 31, 2022 AND 2021**

	2022	2021
ASSETS		
INVESTMENTS		
Variable Earnings Investments	\$ 573,907,599	\$ 677,783,256
Fixed Earnings Investments	121,008,136	113,555,022
Total Investments	694,915,735	791,338,278
RECEIVABLES		
Contributions Receivable	615,840	347,228
NET POSITION RESTRICTED FOR PLAN BENEFITS	\$ 695,531,575	\$ 791,685,506

See accompanying Notes to Financial Statements.

**CITY OF PHOENIX DEFINED CONTRIBUTION PLAN
SECTION 401(a)
STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION
YEARS ENDED DECEMBER 31, 2022 AND 2021**

	<u>2022</u>	<u>2021</u>
ADDITIONS		
Variable Earnings Investment Income (Loss)	\$ (120,316,435)	\$ 88,522,822
Contributions	59,708,876	60,170,428
Interest Income	<u>2,115,633</u>	<u>1,751,987</u>
Total Additions	(58,491,926)	150,445,237
 DEDUCTIONS		
Distributions to Participants	37,275,128	32,894,247
Asset Fees	361,102	255,662
Administrative Charges	<u>25,775</u>	<u>23,600</u>
Total Deductions	<u>37,662,005</u>	<u>33,173,509</u>
 CHANGES IN NET POSITION RESTRICTED FOR PLAN BENEFITS:	 (96,153,931)	 117,271,728
 NET POSITION RESTRICTED FOR PLAN BENEFITS:		
Beginning of Year	<u>791,685,506</u>	<u>674,413,778</u>
End of Year	<u>\$ 695,531,575</u>	<u>\$ 791,685,506</u>

See accompanying Notes to Financial Statements.

CITY OF PHOENIX DEFINED CONTRIBUTION PLAN
SECTION 401(a)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General

The City of Phoenix Defined Contribution Plan (the Plan) was established pursuant to the City of Phoenix Code Ordinance G-4634, effective December 2004. The City of Phoenix Deferred Compensation Board (the Board) is also named trustee of the Plan.

Contributions and Contributions Receivable

The Plan is designed to be a tax-qualified 401(a) defined contribution plan under Internal Revenue Code (IRC) Section 401(a). Amounts contributed by employees are deferred for federal and state income tax purposes until benefits are paid to the employees. The Plan was adopted by the Board effective December 20, 2004 for all general and public safety employees. Public Safety workers retiring on or after June 30, 2005 and before October 1, 2007 may elect to have their accumulated leave and compensatory time contributed to the Plan as a “pickup contribution.” Effective June 30, 2005, Sworn Public Safety Workers also became eligible to make an election to have irrevocable contributions made to the Plan by electing a designated percentage of salary reduction. Effective January 1, 2008, the Plan was amended to mandate that 100% of the nonelective employer contribution amounts otherwise payable to them are contributed by the City to this Plan. Eligible employees may make an election to have irrevocable contributions made to the Plan by electing a designated percentage of salary reduction. In accordance with the IRS code, the Plan limits the amount of contributions to an amount not to exceed \$61,000 or 100% of an employee’s eligible compensation for the year ended December 31, 2022 and not to exceed \$58,000 or 100% of an employee’s eligible compensation for the year ended December 31, 2021, respectively.

Employees who retired between December 20, 2004 and January 7, 2005 receive an accumulated leave/compensatory time contribution to the Plan on their behalf by the City. General employees retiring on or after January 8, 2005 receive an accumulated leave/compensatory time contribution to the Plan on their behalf by the City. Public safety officers retiring on or after July 1, 2007 receive an accumulated leave/compensatory time contribution on their behalf by the City. The aforementioned employer contributions are made as soon as administratively practicable following the employee’s retirement. Employee contributions are recognized when such amounts are withheld.

Participant Accounts

The Plan is governed by the Board and is administered by a third party.

An employee’s interest in his/her account is fully vested at all times. An employee may elect to invest contributions in the following investment options:

- Fixed earnings investments in a City of Phoenix Stable Income Fund option managed by Morley Financial Services, Inc.
- Variable earnings investments consisting of various mutual funds.
- Self-directed option – Personal Choice Retirement Accounts (PCRA) offered by Charles Schwab & Co., Inc. Participants may exchange funds accumulated in the core options of the Plan to a PCRA account, which provides approximately 3,000 additional mutual fund offerings other than the Plan’s core options. This option is included in the variable earnings investments.

**CITY OF PHOENIX DEFINED CONTRIBUTION PLAN
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NOTES TO FINANCIAL STATEMENTS
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NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Participant Accounts (Continued)

With the consent of the Board, an employee may pay over to the Plan any amount which constitutes a rollover contribution as set forth by Section 402(c) or 408(d)(3) of the IRC. The Board may also accept a direct transfer of funds from an eligible retirement plan as defined in the Plan document.

Earnings are credited to individual participants' accounts based upon the investment performance of each specific investment option selected.

Payment of Benefits

Employees with assets in the Plan are eligible to receive benefits under the Plan subject to IRS regulations upon retirement, death, or termination of employment with the City. In the case of death, any amount due under the participant's account with certain exceptions is paid to the beneficiary or their estate. Distributions to participants are recorded at the time withdrawals are made from the participant account.

Use of Estimates in Preparing Financial Statements

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America may require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of additions and deductions during the reporting period. Actual results could differ from those estimates.

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America and present the net position available for Plan benefits and the net changes in position.

Investment Valuation

Fixed earnings investments consisting solely of the City of Phoenix Stable Income Fund are presented at contract value which approximates fair value. Contributions of participants who elect this investment option for the City of Phoenix Deferred Compensation Program Section 457 Plan and/or the City of Phoenix Defined Contribution Plan Section 401(a) are combined and held in a trust. Each plan has an undivided interest in the trust and each plan's ownership is represented by its proportionate dollar interest. Interest rates are reset quarterly based on prior quarters' performance.

Variable earnings investments (mutual funds), including personal choice retirement accounts, are presented at fair value based on published quotations or the net asset value reported by the investment provider. All purchases and sales of investments are recorded on a trade-date basis.

**CITY OF PHOENIX DEFINED CONTRIBUTION PLAN
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NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Variable Earnings Investment Income (Loss)

Variable earnings investment income consists of dividend income and realized and unrealized gains and losses attributed to the variable earnings investments.

Interest Income

During 2022, the Stable Income option paid interest ranging from 1.70% to 2.21%. At December 31, 2022, the actual crediting rate was 2.21%. During 2021, the Stable Income option paid interest ranging from 1.70% to 1.95%. At December 31, 2021, the actual crediting rate was 1.70%. Interest income is recorded as earned on the accrual basis.

NOTE 2 INVESTMENTS

Investments held in the name of the Plan at December 31, 2022 and 2021 were as noted below. Investments marked with an asterisk (*) represent individual investment options which exceed 5% of the net position available for Plan benefits as of December 31, 2022 and 2021. Investments marked with two asterisks (**) represent international mutual funds as of December 31, 2022 and 2021.

	<u>Fair and Carrying Value</u>	
	<u>2022</u>	<u>2021</u>
Fixed Earnings Investments:		
City of Phoenix Stable Income Fund	\$ 121,008,136 *	\$ 113,555,022 *
Variable Earnings Investments, at Fair Value:		
Personal Choice Retirement Account - Charles Schwab	135,903,758 *	164,222,724 *
US Large Cap Stock Portfolio	70,073,560 *	92,337,505 *
American Funds 2035 Target Date Retirement Fund - Class R6	40,289,811 *	44,820,927 *
Vanguard® Institutional Index Fund - Institutional Plus Shares	37,006,795 *	43,996,705 *
American Funds 2040 Target Date Retirement Fund - Class R6	36,311,550 *	40,276,231 *
American Funds 2045 Target Date Retirement Fund - Class R6	34,336,385	37,924,642
American Funds 2030 Target Date Retirement Fund - Class R6	32,676,624	37,257,332
US Mid Cap Stock Portfolio	26,028,338	32,811,301
American Funds 2025 Target Date Retirement Fund - Class R6	28,505,492	32,068,660
US Small Cap Stock Portfolio	19,940,970	25,864,465
American Funds 2050 Target Date Retirement Fund - Class R6	24,365,670	25,734,449
EuroPacific Growth Fund® - Class R6	16,970,070 **	21,849,062 **
Metropolitan West Funds - Total Return Bond Fund - Plan Class	14,912,744	18,630,425
American Funds 2020 Target Date Retirement Fund - Class R6	13,433,880	15,200,262
American Funds 2055 Target Date Retirement Fund - Class R6	12,874,827	12,250,400
Vanguard® Extended Market Index Fund - Institutional Shares	7,257,072	9,802,855
American Funds 2060 Target Date Retirement Fund - Class R6	9,449,652	7,915,510
American Funds 2015 Target Date Retirement Fund - Class R6	4,908,362	5,953,150
American Funds 2010 Target Date Retirement Fund - Class R6	3,826,309	4,354,038
Vanguard® Total International Stock Index Fund - Institutional Shares	3,182,584 **	3,264,796 **
PIMCO All Asset Fund - Institutional Class	1,203,802	1,247,817
Suspense	449,344	-
Total Variable earnings investments	<u>573,907,599</u>	<u>677,783,256</u>
Total Investments	<u>\$ 694,915,735</u>	<u>\$ 791,338,278</u>

CITY OF PHOENIX DEFINED CONTRIBUTION PLAN
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NOTE 2 INVESTMENTS (CONTINUED)

Custodial credit risk is the risk that, in the event of a failure of the counterparty, the Plan would not be able to recover the value of its deposits, investments, or collateral securities that were in the possession of an outside party. Investment securities are exposed to custodial credit risk if they are uninsured or not registered in the name of the Plan and are held by either the counterparty or the counterparty's trust department or agent, but not in the Plan's name.

Variable earnings investments are registered investments for which the securities are held by Nationwide Retirement Solutions, Inc. (NRS), agent for the Plan, in the Plan's name. Therefore, these investments have a minimal level of custodial credit risk. Fixed earnings investments are held in the Plan's name by Morley Financial Services, agent of the Plan. As a result, the investments of the Plan are not exposed to custodial credit risk.

Credit risk is the risk that the Plan will lose money because of the default of the security of the issuer or investment counterparty. The average credit quality rating is calculated using the lowest of all available ratings including but not limited to S&P, Moody's, and Fitch. The Plan's Investments in the City of Phoenix Stable Value Fund had an average credit quality rating of AA as of December 31, 2022 and 2021, respectively.

Concentration of credit risk is the risk of loss attributed to the magnitude of the Plan's investment in a single issuer. The Plan's investments are managed by several fund managers. The concentrations of investments are determined by the participants' elections to invest in the available investment options as selected by the Board. The investments that exceed 5% are identified on page 10.

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of the investment. The Plan allows the option of investments in mutual funds that invest in securities outside the U.S. not required to disclose the individual assets within the fund. The fair value of this investment was \$20,152,654 and \$25,113,858 as of December 31, 2022 and 2021, respectively. The funds are identified on page 10.

Interest rate risk is the risk that changes in interest rates will adversely affect the value of an investment.

**CITY OF PHOENIX DEFINED CONTRIBUTION PLAN
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NOTE 2 INVESTMENTS (CONTINUED)

As of December 31, 2022 and 2021, the Plan had the following investments and weighted average maturities in its fixed earnings investments, and the following mutual funds which include investments in bonds.

	2022		2021	
	Fair Value	Weighted Average Maturity	Fair Value	Weighted Average Maturity
Fixed Earnings Investment:				
City of Phoenix Stable Income Fund	\$ 121,008,136	3.36	\$ 113,555,022	3.28
	Fair Value	Weighted Duration	Fair Value	Weighted Duration
Variable Earnings Investments:				
American Funds 2035 Target Date Retirement Fund	\$ 40,289,811	5.36	\$ 44,820,927	5.89
American Funds 2040 Target Date Retirement Fund	36,311,550	5.63	40,276,231	6.04
American Funds 2045 Target Date Retirement Fund	34,336,385	6.00	37,924,642	5.99
American Funds 2030 Target Date Retirement Fund	32,676,624	5.35	37,257,332	5.40
American Funds 2025 Target Date Retirement Fund	28,505,492	5.24	32,068,660	5.28
American Funds 2050 Target Date Retirement Fund	24,365,670	6.04	25,734,449	5.98
Metropolitan West Funds - Total Return Bond Fund - Plan Class	14,912,744	6.82	18,630,425	6.29
American Funds 2020 Target Date Retirement Fund	13,433,880	5.18	15,200,262	5.21
American Funds 2055 Target Date Retirement Fund	12,874,827	6.09	12,250,400	5.98
American Funds 2060 Target Date Retirement Fund	9,449,652	6.09	7,915,510	5.98
American Funds 2015 Target Date Retirement Fund	4,908,362	4.93	5,953,150	5.08
American Funds 2010 Target Date Retirement Fund	3,826,309	4.63	4,354,038	4.59
PIMCO All Asset Fund - Institutional Class	1,203,802	4.49	1,247,817	4.68

Since all investments are participant directed, all risks exist at the participant level. Each individual participant has the ability to liquidate their positions on demand and has responsibility for managing their exposure to fair value loss.

**CITY OF PHOENIX DEFINED CONTRIBUTION PLAN
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NOTE 2 INVESTMENTS (CONTINUED)

Fair Value Measurements

The Authority categorizes their fair value measurements within the fair value hierarchy established by accounting principles generally accepted in the United States of America. The hierarchy is based on the valuation inputs used to measure the fair value of the asset and give the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

Level 1 – Unadjusted quoted prices for identical instruments in active markets.

Level 2 – Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations in which all significant inputs are observable.

Level 3 – Valuations derived from valuation techniques in which significant inputs are unobservable.

The categorization of investments within the hierarchy is based upon the pricing transparency of the instrument and should not be perceived as the particular investment's risk.

Variable earnings investments classified in Level 1 of the fair value hierarchy are valued using quoted prices in active markets for these securities.

The Plan has the following fair value measurement as of December 31:

	Fair Value Measurements			
	12/31/2022	Level 1	Level 2	Level 3
Investments at Fair Value				
Variable Earnings Investments	\$ 457,864,731	<u>\$ 457,864,731</u>	<u>\$ -</u>	<u>\$ -</u>
Investments at Contract Value				
Fixed Earnings Investments	121,008,136			
Investments at Net Asset Value				
Investment Options	<u>116,042,868</u>			
Total Investments	<u>\$ 694,915,735</u>			

	Fair Value Measurements			
	12/31/2021	Level 1	Level 2	Level 3
Investments at Fair Value				
Variable Earnings Investments	\$ 526,769,966	<u>\$ 526,769,966</u>	<u>\$ -</u>	<u>\$ -</u>
Investments at Contract Value				
Fixed Earnings Investments	113,555,022			
Investments at Net Asset Value				
Investment Options	<u>151,013,290</u>			
Total Investments	<u>\$ 791,338,278</u>			

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NOTE 3 PLAN ADMINISTRATION AND ASSET FEES

The City has appointed Nationwide Retirement Solutions, Inc. (NRS) as the Plan administrator under an administrative services contract. NRS and Nationwide Life are subsidiaries of Nationwide Financial Services, Inc.

The City has contracted with NRS to provide administrative services to the Plan under Board authority. Under the agreement, NRS provides administrative services to the Plan, such as participant recordkeeping, participant account statements, monitoring the Plan's financial transactions, participant relations, and general management. NRS is paid a fee per average participant for this Plan and the 457 plan combined.

Effective February 1, 2022, an administrative fee of 5.96 basis points (0.0596%) will apply to each unique participant and be withdrawn from participant core (non-brokerage) accounts. Participants will pay no more than \$700 in administrative fees each year (fee cap). Participants will be required to maintain a \$1,000 minimum core (non-brokerage) balance in all deferred compensation plans (DCP) accounts so that fees may be collected. If a participant has a 457 and 401(a) account, the participant must maintain a minimum core balance of \$1,000 in each account. The Board and DCP consultant will revisit the fee structure at least annually to determine the most appropriate administrative fee and fee cap combination.

Participants who select the Schwab & Co. self-directed investment option are assessed a \$50 fee annually. In an effort to reduce frequent trading within long-term retirement accounts, certain funds impose a short-term trading fee (redemption fee).

Administrative fees and asset fees collected or paid for the years ended December 31, 2022 and 2021 were \$386,877 and \$279,262, respectively.

NOTE 4 TAX STATUS

The Plan is intended to be a tax-qualified retirement plan under Section 401(a) of the IRC for the exclusive benefit of the City's employees and their beneficiaries. The amounts of compensation contributed by the City on behalf of employees participating in the Plan are not subject to federal income tax withholding nor are they includable in taxable income until actually paid or otherwise made available to the participant, the participant's beneficiary, or the participant's estate. The City submitted a Determination Letter application to the IRS regarding the tax status of the Plan. In addition, the City has requested a Private Letter Ruling from the IRS, and both have been approved by the IRS and the Federal Government.

NOTE 5 RELATED PARTIES

Certain members of the Board are participants in the Plan.

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NOTE 6 RISKS AND UNCERTAINTIES

The Plan, as directed by participants, may invest in various types of investment securities. Investment securities are exposed to various risks, such as interest rate, market, and credit risk. Due to the level of risk associated with certain investment securities, it is possible that changes in the values of investment securities may occur in the near term and that such change could materially affect the amounts reported in the Statements of Net Position Available for Plan Benefits.

NOTE 7 PLAN TERMINATION

The City may terminate the Plan at any time, although no intent to terminate the Plan has been expressed. In the event of termination, all participants will remain fully vested.



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