



## Market Summary:

- After three quarters in a row of negative returns, the fourth quarter was positive across asset classes as the rate of inflation increases slowed and investors hoped for a pivot in the Fed's aggressive monetary policy tightening campaign.
- US large cap equities returned 7.2% as measured by the Russell 1000 Index; however, the Index declined by -19.1% over the year.
- International developed equity markets rose by 16.2% (as measured by the MSCI World ex US Index) a falling US dollar boosted returns for US based investors during the quarter. Emerging markets rose by 9.7% (as measured by the MSCI EM Index) during the quarter. During 2022 International Developed markets declined by -14.3% and Emerging Markets by -20.1%.
- The ten-year US Treasury increased by only 4 bps during the quarter and ended the year at 3.87%. The Bloomberg Aggregate Bond Index rose by 1.9% in the quarter.

## Investment Option Performance Summary:

- Tier I Target Date Funds experienced positive returns during the quarter. From a benchmark relative perspective, the funds outperformed. Exposure to value-oriented stocks via small cap and global equities was rewarded. In addition, an overweight to high yield bonds was additive.
- Six out of six of the Tier II active funds' outperformed their respective benchmarks in the quarter.
  - The Large Cap US Equity Fund outperformed due to stock selection in consumer discretionary and healthcare.
  - The Small Cap Fund outperformed given its tilt towards value with strong stock selection in energy, healthcare, and industrials.
  - The All-International Markets Fund outperformed the benchmark during the quarter. Exposures to stocks with cheaper valuations than the index was the primary source of excess returns. Holding in energy, industrials and financials were additive.
  - The Multi-Manager Bond Fund outperformed as an overweight to credit relative to treasuries was rewarded due to falling credit spreads.
  - The Investment Contract Fund continued to perform well relative to the benchmark given the portfolio's stable interest crediting rate. The Investment Contract Fund was the only fund to deliver positive absolute returns during all of 2022.
  - The Real Asset Fund outperformed in the quarter, commodities exposure via an underweight to natural gas was a key contributor to the fund's outperformance. An underweight to office in the REITs portfolio was also rewarded.
- Tier III passive index funds all performed as expected by tracking their respective benchmarks.

**ESG Fund Discussion** – Greg Coffey, Russell Investments presented a brief discussion on ESG investing, recent DOL rulings, and pending litigation. After discussion, the committee and Russell Investments agreed that additional monitoring of pending litigation would be appropriate, as participants can currently access ESG funds through the Brokerage Link at their own discretion.

**457b Plan Amendment** – James C. Paul, Employee Benefits Law Group presented the committee with an amendment to the 457b Plan for In-Service Distributions. An in-service distribution is a distribution or payment a plan participant takes from their retirement plan while still employed. Previously, to take such a distribution from our 457b plan a participant had to be 70 years old. There was a change in the law that permitted in-service distributions in 457b plans to occur at an earlier age—59½. This amendment would bring both the 457b plan and the 401k plan into alignment on the age requirement for in-service distributions. The Committee discussed the amendment, it was motioned, seconded and voted all in favor of adopting the amendment.

With no further items on the agenda, the meeting was adjourned.

Participants may submit comments or questions for the Deferred Compensation Committee through Stan Ichiho, of People Services & Strategies at MS B251. Please include your name and daytime phone number so the Committee may respond to your request.