

**CITY OF PHOENIX
DEFERRED COMPENSATION PLAN
SECTION 457**

FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2021 AND 2020



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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

Opinions

We have audited the accompanying statements of fiduciary net position of the City of Phoenix Deferred Compensation Plan (the Plan) as of December 31, 2021 and 2020, and the related statements of changes in fiduciary net position for the years then ended, and the related notes to the financial statements, which collectively comprise the basic financial statements as listed in the accompanying 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, 2021 and 2020 and the changes in financial position for years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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 audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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 to the 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 opinions. 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 auditing standards generally accepted in the United States of America, 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.

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

CliftonLarsonAllen LLP

Phoenix, Arizona
June 6, 2022

CITY OF PHOENIX DEFERRED COMPENSATION PLAN
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MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2021 AND 2020

This discussion and analysis of the City of Phoenix Deferred Compensation Plan (the Plan) and its financial performance provides an overview of the Plan's financial position and activities as of and for the years ended December 31, 2021, 2020, and 2019. Please read it in conjunction with the Plan's financial statements, which follow this section. This information is presented as required supplemental information to the financial statements.

FINANCIAL HIGHLIGHTS

- Net position available for Plan benefits was \$2.062 billion, \$1.838 billion, and \$1.651 billion as of December 31, 2021, 2020, and 2019, respectively. Changes in net position are primarily attributable to employee contributions, Plan investment income, and distributions from year to year.
- Employee contributions were approximately \$76.5 million, \$68.0 million, and \$67.1 million for the years ended December 31, 2021, 2020, and 2019, respectively. The fluctuation in contributions from year to year is primarily due to the amount of transfers into the Plan. Transfers into the Plan were \$7.8 million, \$5.6 million, and \$4.4 million for the years ended December 31, 2021, 2020, and 2019, respectively.
- Variable earnings investment income were approximately \$235.9 million, \$210.6 million, and \$242.9 million for the years ended December 31, 2021, 2020, and 2019, respectively. The Plan's overall average rate of return on variable earnings investments was 12.1%, 14.3%, and 15.8%, for the years ended December 31, 2021, 2020, and 2019, respectively.
- Distributions to participants decreased from \$100.1 million for the year ended 2020 to \$94.0 million for the year ended 2021. The decrease in distributions can be attributed to an decrease in the number of participants receiving a distribution from 2021 to 2020. Much of the decrease was driven by the adoption of the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) in 2020. There were 3,219 and 4,932 participants receiving a distribution in 2021 and 2020, respectively. Distributions to participants increased from \$94.3 million for the year ended 2019 to \$100.1 million for the year ended 2020. The fluctuation from year to year can be attributed to participants electing to receiving CARES Act distributions in 2020 that was not available in 2019 and 2021.
- Administrative and asset fees paid for the years ended December 31, 2021, 2020, and 2019 were \$839,088, \$466,823, and \$1,305,874, respectively. The decrease of fees paid in 2020 is due to the fee holiday which was implemented in the second quarter of 2020.
- As of December 31, 2021, 2020, and 2019, the total balance of loans outstanding to participants was approximately \$27.4 million, \$31.0 million, and \$35.7 million, respectively. See Note 4 to the financial statement for further analysis of participant loans.

**CITY OF PHOENIX DEFERRED COMPENSATION PLAN
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MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2021 AND 2020**

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**

	2021	2020	2019
Total Investments	\$ 2,034,211,157	\$ 1,806,434,565	\$ 1,613,245,564
Total Receivables	27,486,387	31,118,262	38,080,575
Net Position Available for Plan Benefits	<u>\$ 2,061,697,544</u>	<u>\$ 1,837,552,827</u>	<u>\$ 1,651,326,139</u>

**Table 2
Changes in Fiduciary Net Position**

	2021	2020	2019
Additions to Net Position Attributed to:			
Variable Earnings Investment Income (Loss)	\$ 235,938,583	\$ 210,637,796	\$ 242,888,729
Employee Contributions	76,496,706	67,965,682	67,105,730
Interest Income	6,596,734	8,196,297	8,489,111
Total Additions	<u>319,032,023</u>	<u>286,799,775</u>	<u>318,483,570</u>
Deductions from Net Position Attributed to:			
Distributions to Participants	94,048,218	100,106,264	94,340,172
Administrative Fees and Asset Fees	839,088	466,823	1,305,874
Total Deductions	<u>94,887,306</u>	<u>100,573,087</u>	<u>95,646,046</u>
Net Increase / (Decrease)	<u>\$ 224,144,717</u>	<u>\$ 186,226,688</u>	<u>\$ 222,837,524</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 the report or need additional financial information, contact the Staff Coordinator for the Deferred Compensation and Defined Contribution Plans, City of Phoenix Benefits Office at (602) 534-2202.

**CITY OF PHOENIX DEFERRED COMPENSATION PLAN
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STATEMENTS OF FIDUCIARY NET POSITION
DECEMBER 31, 2021 AND 2020**

ASSETS	<u>2021</u>	<u>2020</u>
INVESTMENTS		
Variable Earnings Investments	\$ 1,709,968,937	\$ 1,471,522,810
Fixed Earnings Investments	<u>324,242,220</u>	<u>334,911,755</u>
Total Investments	<u>2,034,211,157</u>	<u>1,806,434,565</u>
RECEIVABLES		
Loans Receivable	27,412,879	31,005,947
Contributions Receivable	<u>73,508</u>	<u>112,315</u>
Total Receivables	<u>27,486,387</u>	<u>31,118,262</u>
FIDUCIARY NET POSITION AVAILABLE FOR BENEFITS	<u><u>\$ 2,061,697,544</u></u>	<u><u>\$ 1,837,552,827</u></u>

See accompanying Notes to Financial Statements.

**CITY OF PHOENIX DEFERRED COMPENSATION PLAN
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STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION
YEARS ENDED DECEMBER 31, 2021 AND 2020**

	2021	2020
ADDITIONS		
Variable Earnings Investment Income (Loss)	\$ 235,938,583	\$ 210,637,796
Employee Contributions	76,496,706	67,965,682
Interest Income	6,596,734	8,196,297
Total Additions	319,032,023	286,799,775
DEDUCTIONS		
Distributions to Participants	94,048,218	100,106,264
Asset Fees	656,649	266,962
Administrative Fees	182,439	199,861
Total Deductions	94,887,306	100,573,087
CHANGES IN FIDUCIARY NET POSITION AVAILABLE FOR PLAN BENEFITS	224,144,717	186,226,688
FIDUCIARY NET POSITION AVAILABLE FOR PLAN BENEFITS:		
Beginning of Year	1,837,552,827	1,651,326,139
End of Year	\$ 2,061,697,544	\$ 1,837,552,827

See accompanying Notes to Financial Statements.

**CITY OF PHOENIX DEFERRED COMPENSATION PLAN
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NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General

The City of Phoenix Deferred Compensation Plan (the Plan) was established in 1974 pursuant to the City of Phoenix Code Ordinance G-4634 Resolution #14256. The Plan is governed by the City of Phoenix Deferred Compensation Board (the Board) and is administered by a third party. The Board is also the named trustee of the Plan.

Contributions and Contributions Receivable

Under the Plan provisions, employees of the City of Phoenix are eligible to contribute to the Plan through payroll deductions. In accordance with Section 457 of the Internal Revenue Code (IRC), the Plan limits the amount of an employee's annual contribution to an amount not to exceed the lesser of \$19,500, or 100% of the employee's includable compensation for the year ended December 31, 2021, and the lesser of \$19,500, or 100% of the employee's includable compensation for the year ended December 31, 2020, respectively. The Plan also provides certain catch-up contribution provisions for participants age 50 or older and for participants within three years of their normal retirement age. Amounts contributed by the City and employees are deferred for federal and state income tax purposes until benefits are paid to the employees. Effective January 1, 2008, the City ceased making nonelective employer contributions to the Plan. Nonelective employer contributions vest at the time that they are made. Employee contributions are recognized when such amounts are withheld.

Participant Accounts

Under provisions of the Small Business Job Protection Act of 1996 (SBJPA), which became effective for Plan years beginning after December 31, 1996, assets of IRC Section 457 plans must be held in a trust, custodial account, or annuity contract for the exclusive benefit of employees and beneficiaries. At December 31, 2021 and 2020, the Plan met the requirements of SBJPA.

Employees may contribute or exchange to any of 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.

Employees may withdraw the value of the funds contributed to the Plan upon termination of employment with the employer, retirement, death, initiation of a loan, or financial hardship. Employees or their beneficiaries may select various payout options which include lump sum or periodic or annuity payments. Earnings are credited to individual participants' accounts based upon the investment performance of each specific investment option selected.

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

Payment of Benefits

Employees investing in the Plan may withdraw the value of their accounts upon termination of employment with the City, because of an unforeseeable emergency or initiation of a loan while employed, if approved by the Plan administrator, or in order to satisfy minimum distribution requirements of the IRC. Employees are eligible to receive benefits under the Plan subject to IRS regulations at the time they separate from service or suffer disability. Upon such separation or disability, employees may select various payout options, which include lump sum, periodic or annuity payments. In the case of death, any amount due under the participant's account, with certain exceptions, is paid to the beneficiary or the 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 using the economic resources measurement focus and 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 changes in net 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 Plan Section 457 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 are recorded on a trade-date basis.

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.

**CITY OF PHOENIX DEFERRED COMPENSATION PLAN
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NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Interest Income

During 2021, the Stable Value option paid interest ranging from 1.70% to 1.98%. At December 31, 2021, the actual crediting rate was 1.70%. During 2020, the Stable Income option paid interest ranging from 1.98% to 2.46%. At December 31, 2020, the actual crediting rate was 1.98%.

Interest income is recorded as earned on the accrual basis.

NOTE 2 INVESTMENTS

Investments held in the name of the Plan at December 31, 2021 and 2020 were as noted below. Investments marked with an asterisk (*) represent individual investment options which exceed 5% of the total Plan investments as of December 31, 2021 and 2020. Investments marked with two asterisks (**) represent international mutual funds as of December 31, 2021 and 2020.

	Fair and Carrying Value	
	2021	2020
Fixed Earnings Investments:		
City of Phoenix Stable Income Fund	\$ 324,242,220 *	\$ 334,911,755 *
Variable Earnings Investments, at Fair Value:		
Personal Choice Retirement Account - Charles Schwab	433,295,001 *	376,219,385 *
US Large Cap Stock Portfolio	296,882,674 *	261,165,758 *
Vanguard® Institutional Index Fund - Institutional Plus Shares	123,136,270 *	97,623,358 *
US Mid Cap Stock Portfolio	94,854,295	80,234,918
American Funds 2035 Target Date Retirement Fund - Class R6	91,582,899	75,936,195
American Funds 2030 Target Date Retirement Fund - Class R6	75,308,787	62,294,326
US Small Cap Stock Portfolio	73,876,122	59,011,709
American Funds 2025 Target Date Retirement Fund - Class R6	71,416,893	64,951,193
American Funds 2040 Target Date Retirement Fund - Class R6	70,286,273	56,091,700
EuroPacific Growth Fund(R) - Class R6	67,666,089 **	67,056,991 **
American Funds 2045 Target Date Retirement Fund - Class R6	64,192,385	52,475,154
Metropolitan West Funds - Total Return Bond Fund - Plan Class	59,328,978	61,230,013
American Funds 2050 Target Date Retirement Fund - Class R6	40,024,289	32,599,654
American Funds 2020 Target Date Retirement Fund - Class R6	39,496,080	36,312,457
Vanguard® Extended Market Index Fund - Institutional Shares	29,231,810	22,383,523
American Funds 2015 Target Date Retirement Fund - Class R6	22,478,975	21,259,626
American Funds 2055 Target Date Retirement Fund - Class R6	16,611,400	11,995,739
American Funds 2010 Target Date Retirement Fund - Class R6	16,061,650	14,225,201
American Funds 2060 Target Date Retirement Fund - Class R6	10,705,419	7,665,632
Vanguard® Total International Stock Index Fund - Institutional Shares	9,688,747 **	7,605,109 **
PIMCO All Asset Fund - Institutional Class	3,920,720	3,116,992
Suspense	(76,819)	68,177
Total Variable Earnings Investments	<u>1,709,968,937</u>	<u>1,471,522,810</u>
Total Investments	<u>\$ 2,034,211,157</u>	<u>\$ 1,806,434,565</u>

CITY OF PHOENIX DEFERRED COMPENSATION PLAN
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NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

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 Retirements 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 Income Fund had an average credit quality rating of AA as of December 31, 2021 and 2020.

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 9.

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 of countries outside the U.S. that invest in securities not required to disclose the individual assets within the fund. The fair value of these investment was \$77,354,836 and \$74,662,100 as of December 31, 2021 and 2020, respectively. The individual 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 DEFERRED COMPENSATION PLAN
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NOTES TO FINANCIAL STATEMENTS
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NOTE 2 INVESTMENTS (CONTINUED)

As of December 31, 2021 and 2020, 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.

	2021		2020	
	Fair Value	Weighted Average Maturity	Fair Value	Weighted Average Maturity
Fixed Earnings Investment:				
City of Phoenix Stable Income Fund	\$ 324,242,220	3.28	\$ 334,911,755	3.11
Variable Earnings Investments:				
American Funds 2035 Target Date Retirement Fund - R6	91,582,899	5.89	75,936,195	4.79
American Funds 2025 Target Date Retirement Fund - R6	71,416,893	5.28	64,951,193	4.42
American Funds 2030 Target Date Retirement Fund - R6	75,308,787	5.40	62,294,326	4.50
American Funds 2040 Target Date Retirement Fund - R6	70,286,273	6.04	56,091,700	5.17
Metropolitan West Funds - Total Return Bond Fund - Plan Class	59,328,978	6.29	61,230,013	5.66
American Funds 2045 Target Date Retirement Fund - R6	64,192,385	5.99	52,475,154	5.21
American Funds 2020 Target Date Retirement Fund - R6	39,496,080	5.21	36,312,457	4.33
American Funds 2050 Target Date Retirement Fund - R6	40,024,289	5.98	32,599,654	5.16
American Funds 2015 Target Date Retirement Fund - R6	22,478,975	5.08	21,259,626	4.26
American Funds 2010 Target Date Retirement Fund - R6	16,061,650	4.59	14,225,201	3.89
American Funds 2055 Target Date Retirement Fund - R6	16,611,400	5.98	11,995,739	5.15
American Funds 2060 Target Date Retirement Fund - R6	10,705,419	5.98	7,665,632	5.15
PIMCO All Asset Fund - Institutional Class	3,920,720	4.68	3,116,992	3.64

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 DEFERRED COMPENSATION 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 gives 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			
	12/31/2021	Level 1	Level 2	Level 3
Investments at Fair Value				
Variable Earnings Investments	\$ 1,244,355,846	\$ 1,244,355,846	\$ -	\$ -
Investments at Contract Value				
Fixed Earnings Investments	324,242,220			
Investments at Net Asset Value				
Investment Options	465,613,091			
Total Investments	<u>\$ 2,034,211,157</u>			

	Fair Value Measurements			
	12/31/2020	Level 1	Level 2	Level 3
Investments at Fair Value				
Variable Earnings Investments	\$ 1,071,110,425	\$ 1,071,110,425	\$ -	\$ -
Investments at Contract Value				
Fixed Earnings Investments	334,911,755			
Investments at Net Asset Value				
Investment Options	400,412,385			
Total Investments	<u>\$ 1,806,434,565</u>			

CITY OF PHOENIX DEFERRED COMPENSATION PLAN
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NOTE 3 PLAN ADMINISTRATION AND ASSET FEES

The City has appointed Nationwide Retirements 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 401(a) plan combined.

Participants who select the Schwab & Co. self-directed investment options 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 and paid for the years ended December 31, 2021 and 2020 were \$839,088 and \$466,823, respectively.

NOTE 4 LOANS

Effective January 2012, the Plan was amended to allow participants to take loans from their account balances. Any participant may be eligible to receive a loan. Participants are charged a nonrefundable loan set-up fee of \$50. An additional annual fee of \$35 is assessed on the anniversary date. The maximum term permitted on a loan is five years or fifteen years if the loan is for the purchase of a principal residence. The minimum loan amount permitted is \$1,000 and the maximum amount of any loan under the Plan is the lesser of 50% of the participant's vested account balance or \$50,000. Loans receivable from participants are valued at their unpaid principal balance plus any accrued but unpaid interest. Loans granted by the Plan bear interest at a rate determined by the Plan administrator but not to exceed the maximum rate permitted by all applicable laws. The interest rate assessed on loan balances was 4.37% and 6.62%, respectively, as of December 31, 2021 and 2020. As of December 31, 2021 and 2020, the total balance of loans outstanding to participants was \$27,412,879 and \$31,005,947, respectively.

NOTE 5 TAX STATUS

The Plan is reviewed by legal counsel to ensure conformity with Section 457 of the IRC. Accordingly, any amount of compensation deferred under the Plan and any income attributable to the amounts so deferred shall be included in the gross income of the participant only for the taxable year in which such compensation or other income is paid or otherwise made available to the participant or other beneficiary.

**CITY OF PHOENIX DEFERRED COMPENSATION PLAN
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NOTE 6 RELATED PARTIES

Certain members of the Deferred Compensation Board are participants in the Plan.

NOTE 7 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 fiduciary net position.

NOTE 8 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.

Investment advisory services are offered through CliftonLarsonAllen Wealth Advisors, LLC, an SEC-registered investment advisor. CLA is an independent member of Nexia International, a leading, global network of independent accounting and consulting firms. See [nexia.com/member-firm-disclaimer](https://www.nexia.com/member-firm-disclaimer) for details. CliftonLarsonAllen LLP

NRN-3117AZ-PX

