CITY OF PHOENIX
DEFERRED COMPENSATION PLAN
SECTION 457

FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2022 AND 2021

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SECTION 457
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INDEPENDENT AUDITORS' REPORT

City of Phoenix Deferred Compensation Board
City of Phoenix Deferred Compensation 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

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, 2022, 2021, and 2020. 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 $1.74 billion, $2.06 billion, and $1.84 billion as of December 31, 2022, 2021, and 2020, respectively. Changes in net position are primarily attributable to employee contributions, Plan investment income, and distributions from year to year.

- Employee contributions increased by approximately $4.5 million from $76.5 million for the year ended December 31, 2021 to $81.0 million for the year ended December 31, 2022. Employee contributions increased by approximately $8.5 million from $68.0 million for the year ended December 31, 2020 to $76.5 million for the year ended December 31, 2021. The fluctuation in contributions from year to year is primarily due to participant changes in voluntary contributions.

- Variable earnings investment income decreased by approximately $542.6 million from a $235.9 million gain for the year ended December 31, 2021 to a loss of $306.7 million for the year ended December 31, 2022. Variable earnings investment income increased by approximately $25.3 million from a $210.6 million gain for the year ended December 31, 2020 to $235.9 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 -16.1%, 12.1%, and 14.3%, for the years ended December 31, 2022, 2021, and 2020, respectively.

- Distributions to participants increased by approximately $5.0 million from $94.0 million for the year ended December 31, 2021 to $99.0 million for the year ended December 31, 2022. Distributions to participants decreased by approximately $6.1 million from $100.1 million for the year ended December 31, 2020 to $94.0 million for the year ended December 31, 2021. The fluctuations in distributions to participants from year to year can be attributed to the number of participants receiving a distribution in each fiscal year. There were 3,545, 3,219, and 4,932 individuals who received a distribution from the Plan during 2022, 2021, and 2020, respectively.

- Administrative and asset fees paid for the years ended December 31, 2022, 2021, and 2020 were $1,066,000, $839,000 and $467,000, respectively. The fluctuation in fees from year to year can be attributed to the fluctuation in account balances and the revised fee and expense policy statement which now charges a fee against all assets, including those in the self-directed brokerage option.

- As of December 31, 2022, 2021, and 2020, the total balance of loans outstanding to participants was approximately $27.2 million, $27.4 million, and $31.0 million, respectively. See Note 4 to the financial statement for further analysis of participant loans.

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
Total Investments	$ 1,715,963,602	$ 2,034,211,157	$ 1,806,434,565
Total Receivables	27,227,906	27,486,387	31,118,262
Net Position Available for Plan Benefits	$ 1,743,191,508	$ 2,061,697,544	$ 1,837,552,827

Table 2
Changes in Fiduciary Net Position

	2022	2021	2020
Additions to Net Position Attributed to:			
Variable Earnings Investment Income (Loss)	$ (306,704,246)	$ 235,938,583	$ 210,637,796
Employee Contributions	80,998,298	76,496,706	67,965,682
Interest Income	7,268,798	6,596,734	8,196,297
Total Additions	(218,437,150)	319,032,023	286,799,775
Deductions from Net Position Attributed to:			
Distributions to Participants	99,003,108	94,048,218	100,106,264
Administrative Fees and Asset Fees	1,065,778	839,088	466,823
Total Deductions	100,068,886	94,887,306	100,573,087
Net Increase / (Decrease)	$ (318,506,036)	$ 224,144,717	$ 186,226,688

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 Retirement Office at (602) 534-4400.

CITY OF PHOENIX DEFERRED COMPENSATION PLAN
SECTION 457
STATEMENTS OF FIDUCIARY NET POSITION
DECEMBER 31, 2022 AND 2021

	2022	2021
ASSETS		
INVESTMENTS		
Variable Earnings Investments	$ 1,384,236,491	$ 1,709,968,937
Fixed Earnings Investments	331,727,111	324,242,220
Total Investments	1,715,963,602	2,034,211,157
RECEIVABLES		
Loans Receivable	27,169,468	27,412,879
Contributions Receivable	58,438	73,508
Total Receivables	27,227,906	27,486,387
NET POSITION RESTRICTED FOR BENEFITS	$ 1,743,191,508	$ 2,061,697,544

See accompanying Notes to Financial Statements.

CITY OF PHOENIX DEFERRED COMPENSATION PLAN
SECTION 457
STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION
YEARS ENDED DECEMBER 31, 2022 AND 2021

	2022	2021
ADDITIONS		
Variable Earnings Investment Income (Loss)	$ (306,704,246)	$ 235,938,583
Employee Contributions	80,998,298	76,496,706
Interest Income	7,268,798	6,596,734
Total Additions	(218,437,150)	319,032,023
DEDUCTIONS		
Distributions to Participants	99,003,108	94,048,218
Asset Fees	890,868	656,649
Administrative Fees	174,910	182,439
Total Deductions	100,068,886	94,887,306
CHANGES IN NET POSITION RESTRICTED FOR PLAN BENEFITS:	(318,506,036)	224,144,717
NET POSITION RESTRICTED FOR PLAN BENEFITS:		
Beginning of Year	2,061,697,544	1,837,552,827
End of Year	$ 1,743,191,508	$ 2,061,697,544

See accompanying Notes to Financial Statements.

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 $20,500, or 100% of the employee’s includable compensation for the year ended December 31, 2022, and the lesser of $19,500, or 100% of the employee’s includable compensation for the year ended December 31, 2021, 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, 2022 and 2021, 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.

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.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Interest Income

During 2022, the Stable Value option paid interest ranging from 1.58% to 1.71%. At December 31, 2022, the actual crediting rate was 2.21%. During 2021, the Stable Income option paid interest ranging from 1.58% to 1.98%. 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 total Plan investments as of December 31, 2022 and 2021. Investments marked with two asterisks (**) represent international mutual funds as of December 31, 2022 and 2021.

	Fair and Carrying Value			
	2022		2021	
Fixed Earnings Investments:				
City of Phoenix Stable Income Fund	$ 331,727,111	*	$ 324,242,220	*
Variable Earnings Investments, at Fair Value:				
Personal Choice Retirement Account - Charles Schwab	359,486,555	*	433,295,001	*
US Large Cap Stock Portfolio	221,214,938	*	296,882,674	*
Vanguard® Institutional Index Fund - Institutional Plus Shares	101,916,156	*	123,136,270	*
US Mid Cap Stock Portfolio	73,109,471		94,854,295	
American Funds 2035 Target Date Retirement Fund - Class R6	77,773,489		91,582,899	
American Funds 2030 Target Date Retirement Fund - Class R6	63,595,154		75,308,787	
US Small Cap Stock Portfolio	53,825,415		73,876,122	
American Funds 2025 Target Date Retirement Fund - Class R6	60,522,530		71,416,893	
American Funds 2040 Target Date Retirement Fund - Class R6	60,738,851		70,286,273	
EuroPacific Growth Fund(R) - Class R6	50,701,078	**	67,666,089	**
American Funds 2045 Target Date Retirement Fund - Class R6	53,848,136		64,192,385	
Metropolitan West Funds - Total Return Bond Fund - Plan Class	45,727,305		59,328,978	
American Funds 2050 Target Date Retirement Fund - Class R6	36,072,226		40,024,289	
American Funds 2020 Target Date Retirement Fund - Class R6	32,057,307		39,496,080	
Vanguard® Extended Market Index Fund - Institutional Shares	19,411,393		29,231,810	
American Funds 2015 Target Date Retirement Fund - Class R6	18,082,867		22,478,975	
American Funds 2055 Target Date Retirement Fund - Class R6	17,823,865		16,611,400	
American Funds 2010 Target Date Retirement Fund - Class R6	12,870,174		16,061,650	
American Funds 2060 Target Date Retirement Fund - Class R6	12,787,814		10,705,419	
Vanguard® Total International Stock Index Fund - Institutional Shares	9,131,252	**	9,688,747	**
PIMCO All Asset Fund - Institutional Class	3,540,515		3,920,720	
Suspense	-		(76,819)	
Total Variable Earnings Investments	1,384,236,491		1,709,968,937	
Total Investments	$ 1,715,963,602		$ 2,034,211,157	

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, 2022 and 2021.

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 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 investments was $59,832,330 and $77,354,836 as of December 31, 2022 and 2021, 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.

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	$ 331,727,111	3.36	$ 324,242,220	3.28
Variable Earnings Investments:				
American Funds 2035 Target Date Retirement Fund - R6	77,773,489	5.36	91,582,899	5.89
American Funds 2025 Target Date Retirement Fund - R6	60,522,530	5.24	71,416,893	5.28
American Funds 2030 Target Date Retirement Fund - R6	63,595,154	5.35	75,308,787	5.40
American Funds 2040 Target Date Retirement Fund - R6	60,738,851	5.63	70,286,273	6.04
Metropolitan West Funds - Total Return Bond Fund - Plan Class	45,727,305	6.82	59,328,978	6.29
American Funds 2045 Target Date Retirement Fund - R6	53,848,136	6.00	64,192,385	5.99
American Funds 2020 Target Date Retirement Fund - R6	32,057,307	5.18	39,496,080	5.21
American Funds 2050 Target Date Retirement Fund - R6	36,072,226	6.04	40,024,289	5.98
American Funds 2015 Target Date Retirement Fund - R6	18,082,867	4.93	22,478,975	5.08
American Funds 2010 Target Date Retirement Fund - R6	12,870,174	4.63	16,061,650	4.59
American Funds 2055 Target Date Retirement Fund - R6	17,823,865	6.09	16,611,400	5.98
American Funds 2060 Target Date Retirement Fund - R6	12,787,814	6.09	10,705,419	5.98
PIMCO All Asset Fund - Institutional Class	3,540,515	4.49	3,920,720	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.

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		
	12/31/2022	Level 1	Level 2	Level 3
Investments at Fair Value				
Variable Earnings Investments	$ 1,036,086,667	$ 1,036,086,667	$ -	$ -
Investments at Contract Value				
Fixed Earnings Investments	331,727,111			
Investments at Net Asset Value				
Investment Options	348,149,824			
Total Investments	$ 1,715,963,602			

		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	$ 2,034,211,157			

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.

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 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, 2022 and 2021 were $1,065,778 and $839,088, 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 4.37%, respectively, as of December 31, 2022 and 2021. As of December 31, 2022 and 2021, the total balance of loans outstanding to participants was $27,169,468 and $27,412,879, 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.

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.