

City of Seattle Voluntary Deferred Compensation Plan Regular Trust Committee Meeting Minutes

Wednesday, May 24, 2023 10:00 am – 12:00 pm
Hybrid Meeting

TRUSTEES present: Jamie Carnell, Jeff Davis, Dennis Karl, Rick Sheridan, and Tania Torres

STAFF present: Michelle Ell, Tony Dozier, and Malia Bonham (Plan Staff), & Gary Smith (City Attorney's Office)

CONSULTANTS present: Jayson Davidson from Hyas Group; Gavin Parr from Mondress Monaco Parr Lockwood (MMPL)

GUESTS present: Jim Keeler, Kent Morris, Kris Morton, Sam Wagner, Susan Wilson from Nationwide.

BUSINESS

Opening: Rick Sheridan, Committee Chair, started the meeting at 10:01 am.

Introductions: Rick Sheridan welcomed attendees and asked for introductions.

Public Comment: There was no public comment.

Minutes of March 22, 2023 Meeting: Rick asked for a review of the meeting minutes.

MOTION: Tania Torres moved to approve the minutes. The motion was seconded by Jeff Davis and passed unanimously.

Plan Staff Update: Michelle let the committee know the Workday payroll project is in development and in progress. Plan Staff is working on setting up goal limits on an individual basis, reviewing recordkeeping sources for the firefighter guarantee/police officer match, and looking at how to streamline the employee exit processes.

The Committee received a brief update on the recordkeeping RFP project and the current timeline. Michelle requested a subcommittee for the record keeper RFP be set, noting, Jessica was unable to attend the meeting but expressed interest in being on the committee. Rick and Jeff volunteered to serve on the committee and Tania volunteered to serve as a backup member.

MOTION: Rick Sheridan made a motion that the Recordkeeper RFP subcommittee be comprised of Rick Sheridan, Jeff Davis, Jessica Jaeger and Tania Torres as backup. The motion was seconded by Jamie Carnell and passed unanimously.

Hyas Group Q1 2023 Performance Review and Plan Fees Review: Jayson Davidson presented the First Quarter 2023 Performance Report and discussed current market conditions as well as near term market expectations. The quarter provided for strong fixed income and equity market returns in a

continuation of the rally that began with the Fourth Quarter of last year. Markets remain focused on what has been cooling, but still high, inflation numbers and the Federal Reserve's tightening actions related to these numbers. Additionally, economic activity has shown signs of cooling and lending activity has slowed in the wake of the pressure put on regional banks from rapidly rising interest rates. In this environment, the Plan's available suite of investment options have performed in-line with expectations. At the end of Q1 2023, the assets in the 457 Plan were \$1,577,685,773. The following funds remain on watch: PIMCO Total Return Fund, American Funds EuroPacific Growth Fund, and the Vanguard US Growth Fund

In light of the recent turmoil in the US Regional Banking Sector, Jayson again discussed the Plan's overall exposure to the sector. Jayson informed the Committee that exposure remains de minimis with the highest concentration coming from the Mid Cap Value category. Overall, the Plan has a total of 0.53% of assets invested in what could be defined as regional bank stocks. Most active managers, including this in Mid Cap, hold below benchmark weightings to the sector. Hyas will forward the summary exposure report prepared by our analytics group.

In response to the public comment at the last meeting, Jayson discussed the prospect of allowing participants to access ETFs through the Self-Directed Brokerage Account (SDBA). Additionally, the Committee considered further broadening the permissible options and allowing for individual securities. Nationwide and Schwab, the brokerage provider, have confirmed that the Plan can make ETFs available without allowing for the broader individual securities selection. Additional discussions with staff will take place prior to any formal action and the Committee may decide to wait until after the RFP project is complete before taking up the topic again.

Nationwide Q1 2023 Report: Jim Keeler provided the First Quarter Plan Review. He noted an increase in plan assets, participant accounts and an increase in total participant contributions. He shared that the Plan's larger distribution amounts over the last several years has led to the Plan's continued negative cash flow situation. He also noted continued increase in Roth deferral usage. On the participant engagement front, Susan Wilson informed the Committee that 19 seminars were conducted during the quarter and 405 participants attended those seminars. Additionally, there were 857 individual consultations during the quarter. Jim informed the committee Olivia Anastasi was leaving Nationwide at the end of the month and Plan Staff will work with Nationwide on interviewing a replacement.

Legal Updates: Gavin Parr revisited the SECURE Act 2.0 topic and indicated that many of the industry players are awaiting additional guidance from federal agencies and regulatory bodies. Legal counsel will continue to evaluate progress and will report to the Committee as needed.

Adjournment: Rick Sheridan moved to adjourn the meeting. Hearing no objections, the meeting was adjourned at 11:13am.

Next Meeting: The next regular meeting is scheduled for Wednesday, July 26, at 10:00 am PT. The meeting will be hybrid via WebEx and a TBD location in Seattle Municipal Tower.



Jeffrey S. Davis
Secretary, Deferred Compensation Plan Committee

09/28/2023