

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

Wednesday, April 8, 2020 10:00 am – 12:00 pm
Virtual Meeting via Skype

TRUSTEES present: Teri Allen, Jeff Davis, Dennis Karl, Glen Lee, William Alves, Scott Fuquay and Bobby Humes

STAFF present: Michelle Ell, Tony Dozier, and Malia Bonham

CONSULTANTS present: Jake O’Shaughnessy and Stuart Payment from SageView Advisory Group; Mike Monaco and Gavin Parr from Mondress Monaco Parr Lockwood (MMPL)

GUESTS present: Andee Gravitt, Kris Morton, Kent Morrison, Susan Wilson, and Olivia Anastasi from Nationwide

BUSINESS

Opening: Teri Allen, Committee Chair, started the meeting at 10:00am.

Introductions: Teri Allen welcomed attendees and asked for introductions.

Public Comment: There was no public comment.

Minutes of December 4, 2019 Regular Meeting: Teri asked for a review of the meeting minutes.

MOTION: Bill Alves moved to approve the minutes. Motion was seconded by Teri Allen and passed unanimously.

Bobby Humes joined at 10:03 am.

Plan Staff Update: Michelle Ell shared information regarding the recent retroactive payments for City employees. Due to the outreach efforts of Plan Staff, there were approximately 700 employees in the “Most Employees” retroactive payment group who contributed a total of \$1.6 million additional dollars to the Plan. 104 of those 700 employees were new enrollees to the Plan. She added that the March 2020 Fire Fighter’s Retroactive payment resulted in approximately 90 firefighters contributing an additional \$500,000 to the Plan. Michelle noted this was all done primarily using Adobe Sign which resulted in over \$15,000 in mailing cost savings for the Plan.

Michelle also shared the Unforeseeable Emergency Withdrawal (UEW) subcommittee decided via an email exchange to temporarily expand the guidelines to include pandemic reasons. This includes allowing up to two foreclosure/eviction UEW requests within a 24-month lookback period and allowing withdrawals for living expenses due to pandemic reasons.

Legal Update: Gavin Parr reviewed with the Committee two memos outlining changes from recent federal legislation (the CARES and SECURE Acts) that the Committee could adopt for the Plan. He explained that while the changes related to the IRS required minimum distribution (RMD) rules are technically not mandatory for the Plan, they are to the advantage of participants and his recommendation would be to adopt them so as to keep the Plan in alignment with the IRS rules. The remaining changes consist of optional plan design changes involving the relaxation of certain loan and distribution rules. Andee added that Nationwide could implement the proposed changes if the Committee wanted to adopt them. Jake noted many plans have adopted many features from both the SECURE and CARES Acts. The Committee decided to vote on changes related to each Act separately.

MOTION: Scott Fuquay moved to adopt the following changes from the SECURE Act: Increasing the RMD age to 72 for participants turning age 70 ½ after 2019, adding an in-service age 59 ½ withdrawal option, adopting the modified post-death RMD rules for deaths after 2021, and adding plan withdrawals of up to \$5,000 for qualified birth/adoption. Motion was seconded by Teri Allen and passed unanimously.

MOTION: Jeff Davis moved to adopt the following changes from the CARES Act: allow coronavirus-related distributions of up to \$100,000 and loan payment waivers for qualified individuals (as defined in the Act) and waive Plan RMDs for 2020. Motion was seconded by Bobby Humes. The motion passed with four votes in favor (Teri, Dennis, Bobby, and Jeff) and two votes against from Scott and Bill. Motion Passed.

Scott and Bill stated they felt the increased loan amount should have been included.

Michelle noted that Plan Staff, with the assistance of Nationwide and MMPL, would prepare a communication to Participants describing the changes.

Market Overview and Executive Summary: Jake presented the Q4 2019 market overview. He stated the information from Q4 2019 was significantly different from Q1 2020. Jake provided a brief overview on Q1 2020, noting the market concerns around coronavirus, while significant, will likely be temporary in duration, and that there are other economic drivers that have led equities lower besides coronavirus, including oil prices and the upcoming U.S. presidential election. Scott asked if the Plan had seen a large group of people switch to Stable Value. Andee noted that while she doesn't have a report yet for Q1, the initial review shows people are staying the course. Jake reviewed plan investments and noted that SageView recommended no changes at this time (note that the information reviewed at this meeting was as of 12/31/19 due to the timing of the meeting). However, Jake did provide an update on the Wells Fargo Stable Value Fund. The put queue for the Wells Fargo Stable Value Fund continues to be above industry averages and SageView suggested a review of this strategy relative to peers at a meeting later this year.

2020 Fee Methodology: Jake reviewed the annual Plan expense projections and potential administrative fee scenarios with the Committee.

MOTION: Jeff Davis moved to change the Plan administrative fee from the annual pro-rata rate of 14 basis points to 12 basis points as soon as administratively feasible. Motion seconded by Scott and passed unanimously.

Bobby Humes left the meeting at 11:15 am.

Nationwide Q4 2019 Update: Andee Gravitt reviewed Nationwide's Q4 2019 report with the Committee as well as an overview of Q1 2020. Andee shared that most participants are diversified with an average of 4.8 investment options. She noted Q1 2020 had 385 new enrollees which is a 43% increase from Q4, and this is largely due in part to the new enrollees generated from the retroactive payment outreach. Susan Wilson added that while the on-site office is physically closed, they are continuing to meet with Participants and working with Plan Staff to ensure they present at virtual new employee orientations and scheduling virtual webinars for Deferred Compensation.

Specified Assets: The Committee discussed the new Specified Assets investment category and whether to move the Calvert Equity Portfolio Class I to this category given the information from prior Committee meetings.

MOTION: Scott moved that the Calvert Equity Portfolio Class I investment option be moved to the Specified Assets investment category for the Plan. Motion was seconded by Bill and passed unanimously. SageView will provide the Committee with recommended evaluation benchmarks for the Calvert Equity Portfolio Class I Fund at the next meeting.

Adjournment: Scott moved to adjourn the meeting at 11:55 am provided there were no objections and was seconded by Bill. Hearing none the meeting was adjourned without objection.

Next Meeting: The next regular meeting is scheduled for Wednesday, May 27, 2020, at 10:00 am in the Seattle Municipal Tower, Conference Room 4080.