

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

Wednesday, January 25, 2023 10:00 am – 12:00 pm
Hybrid Meeting

TRUSTEES present: Jamie Carnell, Jeff Davis, Jessica Jaeger, Dennis Karl, Kimberly Loving, Rick Sheridan, and Tania Torres

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

CONSULTANTS present: Ted Grigsby from Hyas Group; Gavin Parr and Mike Monaco from Mondress Monaco Parr Lockwood (MMPL)

GUESTS present: Jim Keeler, Kent Morris, Kris Morton, Chris Worthington, Frank McCafferty, Susan Wilson, Olivia Anastasi, Wendy Shaw, April Woodruff, Amelia Dunlap, Dawn Browning, & Todd Lukens, 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 November 30, 2022 Meeting: Rick asked for a review of the meeting minutes.

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

Fiduciary Training: Mike Monaco provided a review of fiduciary issues with respect to cybersecurity and also contracts with service providers. He began with an overview of the basic components of fiduciary responsibility, including the duties of prudence and loyalty and the importance of establishing and following a diligent process, including the engagement of consultants to advise the Committee on issues requiring specialized expertise. Mike then discussed how these fiduciary responsibilities apply with respect to cybersecurity, and highlighted that the U.S. Department of Labor (DOL) recently published a document titled “Tips for Hiring a Service Provider with Strong Cybersecurity Practices” and another document that provided 12 “Best Practices” in this area. He explained that while this DOL guidance is not directly applicable to the Plan since it isn’t subject to ERISA, it nevertheless provides a good outline and overview of best practices in approaching cybersecurity for plan fiduciaries. Gavin Parr added that Nationwide and the Plan’s other service providers should all be familiar with this guidance due to their work for clients that are subject to ERISA. Next, Mike discussed fiduciary responsibilities in relation to service provider contracts, including the need to ensure the reasonableness of fees and the Committee’s responsibility to monitor fees and performance on an ongoing basis. He discussed with the Committee the different ways of monitoring the reasonableness of fees and performance, including RFPs, RFIs and a qualified professional review and assessment of fees in

relation to competitors and industry standards by a consultant, such as Hyas Group. In regard to cybersecurity issues, the advisability of engaging an expert cybersecurity consultant was discussed, with Committee members suggesting that any cybersecurity review be performed in partnership with City IT when possible.

Fees Training: Ted Grigsby conducted a fiduciary training presentation focusing on retirement plan fees and expenses. Ted discussed the current legal environment and some of the leading issues today, such as utilizing plan size to negotiate lower fees, using lower-cost share classes, and identifying other low-cost investment vehicles like CITs. Fiduciaries have a duty to monitor, which is a continuing responsibility. Ted discussed with the Committee different approaches to recordkeeping fees that are found in the industry, and discussed what Hyas Group considers to be best practices regarding fee approaches and the reviewing and monitoring of fees, which the Committee is following.

Nationwide Updates: Jim Keeler provided a brief update regarding current plan assets and participation. The plan rebounded in Q4 and plan assets continued to increase at the time of this meeting. Participation continues to improve. Jim pointed out that 8,918 of 10,873 participants with an account have established online credentials.

Todd Lukens provided an overview of Nationwide's Cybersecurity efforts and organization. Todd reviewed the firm's processes and the steps that Nationwide takes to evaluate and manage cybersecurity risks. April Woodruff also discussed Nationwide's account pledge whereby they will restore client account losses if fraud occurs through no fault of the participant.

Amelia Dunlap discussed Nationwide's Participant Engagement Program (PEP), which is an available targeted communication effort on behalf of Nationwide to plan participants with an updated database structure. Amelia discussed the merits of this service and how it might help to drive engagement and participation for the plan. Amelia reviewed the data solution where the data is migrated to an internal Nationwide database and Merkle serves as an external vendor with access to manage the data. She also provided an overview of Nationwide's Online Distributions feature. Amelia also shared Nationwide would be working with Plan Staff on adding the PEP tool in addition to Online Distributions in the future.

Hyas Q4 Brief Update and Fee Review: Ted reviewed the administrative budget forecast prepared by Hyas Group. The Committee discussed the current administrative budget fee structure and looked at alternative participant fee methodologies, such as implementing a fee cap and/or modifying the asset-based fee to a lower rate. The Committee requested more information for the analysis, such as the inclusion of cash flow information, market growth, minimum balance requirements and lower asset-based fees. The committee asked for Hyas to provide additional models that included various factors to account for growth or decline, which will be provided by Plan Staff. This will be reviewed at the March meeting.

Legal Updates: Mike and Gavin discussed the recent passage of the Secure Act 2.0. Gavin mentioned that at future meetings MMPL would provide a more in-depth review of the various provisions impacting the Plan, which would include input from Plan staff and Nationwide in order to give the Committee additional context regarding which provisions may be appropriate for adoption and administratively feasible.

Adjournment: Rick Sheridan moved to adjourn the meeting. Hearing no objections, the meeting was adjourned at 11:53am.

Next Meeting: The next regular meeting is scheduled for Wednesday, March 22, 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

03/23/2023