

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

Wednesday, September 28, 2022 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: Michelle Ell, Tony Dozier (Plan Staff), & Gary Smith (City Attorney's Office)

CONSULTANTS present: Ted Grigsby and Jayson Davidson from Hyas Group; Gavin Parr and Mike Monaco from Mondress Monaco Parr Lockwood (MMPL); Brittney Smith and Matt Bone (CliftonLarsonAllen)

GUESTS present: Andee Gravitt, Kent Morris, Chris Worthington & Susan Wilson, from Nationwide; Lauren Albanese, Financial News

BUSINESS

Opening: Rick Sheridan, Committee Chair, started the meeting at 10:00 am.

Introductions: Rick Sheridan welcomed attendees and asked for introductions.

Public Comment: There was no public comment.

Minutes of May 25 Regular 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.

2021 Audit Results: Brittany Smith and Matt Bone from CliftonLarsonAllen (CLA) presented the audit results to the Committee. The resulting opinion from the audit was a "Unmodified Clean Opinion", which was described as the highest opinion they provide to clients. Brittany provided an overview of the audit process to the Committee noting the increase in withdrawals is attributed to retirement volume greater than other years.

Plan Staff Update: Michelle shared that the CLA audit contract was expiring this year. She suggested that the Committee extend the contract for now per the terms originally agreed upon in the original CLA contract. In addition, she believes it would be best to conduct an auditor RFP once a planned 2023 recordkeeping vendor search has identified finalists.

MOTION: Kimberly Loving moved to extend the audit contract with CliftonLarsonAllen for an additional one-year term to 12/31/2023 to cover audit services for the year ending 12/31/2022. The motion was seconded by Jamie Carnell and passed unanimously.

She also discussed the lack of awareness that she's noted by many participants regarding the VEBA plan and how it interacts with the Deferred Compensation Plan. She will be attending future Labor Relations meetings to help discuss this during Coalition bargaining. The City will provide more communication and education to participants. Finally, Michelle discussed the NAGDCA conference and highlighted the award that the City received for making vast improvements to the plan. The Committee highlighted items they would like to follow-up on from the conference, such as cyber security, auto-enrollment, and further fiduciary training.

Nationwide Q2 2022 Review: Andee Gravitt presented Nationwide's plan update and provided an overview of plan assets, participation, loan and distributions in the fourth quarter and other plan dimensions. Andee highlighted the call response performance standard Nationwide failed to meet. Staffing issues and participants using the "call-me back" feature contributed to the failure. Nationwide is actively recruiting and staffing their call centers to provide more support to Seattle and other Nationwide clients. Andee shared the participant survey was distributed and they will receive results in October.

Andee notified the Committee that she has accepted another position within Nationwide and will no longer serve as the City's relationship manager. Nationwide is in process of identifying and hiring Andee's replacement. Andee will remain involved until the new relationship manager is onboard.

Hyas Q2 2022 Investments Review: Jayson Davidson provided an economic and financial market update highlighting the worsening conditions and potential for recession. The Fed's rate increases have negatively impacted equity and fixed income prices. The Committee reviewed leading economic indicators, such as GDP, unemployment, and corporate profits. The Committee reviewed the performance of both domestic and international capital markets and discussed the continuing volatility since the report.

Ted Grigsby reviewed fund performance relative to the City's investment policy. Ted noted the American Century Mid Cap Value fund, which was placed on watch in December 2021, has now had two consecutive quarters of once again meeting the policy criteria but Hyas recommends no action yet (i.e., that it remain on watch). Ted also discussed a pending management change in 2023 involving this fund, in which one of the co-portfolio managers will be retiring, although this is not a surprise. Ted also informed the Committee that the American Funds EuroPacific Growth fund, which was placed on watch in March 2022, has again failed to meet the policy criteria for Q2 but has shown improvement. This fund will remain on watch. Ted informed the committee the Vanguard US Growth Fund failed to meet policy criteria for Q2 by performing below the 50th percentile of its peer group and underperforming its benchmark over a five-year period, and he recommended that it be placed on watch per the policy.

<p>MOTION: Jeff Davis moved to place the Vanguard US Growth Fund on watch as per Hyas' recommendation. The motion was seconded by Jessica Jaeger and passed unanimously.</p>

Ted discussed with the Committee the recent updates to the Vanguard Target Retirement funds where the 2015 fund was eliminated and participants' assets invested in that fund were mapped to the Income fund, and the 2070 vintage was added to the plan. These changes occurred in July. Ted also mentioned that the lower cost share classes that were recently announced by Dodge & Cox are not available yet on the Nationwide platform. The current Dodge & Cox funds will be replaced with the lower cost share class when administratively feasible, per the Committee's direction.

Ted also reviewed with the Committee Hyas Group's plan fee analysis, reporting that fees continue to be very low, both measured as a weighted total expense ratio and an average total expense ratio.

Nationwide 2023 Fee Method: Four pricing options for Nationwide's recordkeeping services for 2023 were presented to the Committee based on the provision in the Nationwide contract that allows the Committee to select from among these four options each year. Hyas Group recommended that the Committee continue to use the Asset Based fee option for 2023, as that was projected to be the lowest cost option. Michelle Ell added that she felt that the current 1.5 education consultant staffing level was working well and should be continued for 2023.

MOTION: Jeff Davis moved to continue to use the Asset Based fee option for 2023 recordkeeping fees and 1.5 education consultants as recommended by Hyas Group. The motion was seconded by Kimberly Loving and passed unanimously.

Legal Updates: There were no legal updates.

Adjournment: Jeff Davis moved to adjourn the meeting and was seconded by Tania Torres. Hearing no objections, the meeting was adjourned at 11:35am.

Next Meeting: The next regular meeting is scheduled for Wednesday, November 30, 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

12/05/2022