

**Deferred Compensation Quarterly Meeting  
February 23, 2023  
Virtual Zoom/In Person Meeting  
Tacoma Municipal Building Room 243  
1:00 pm – 4:00 pm**

**Committee Members Present:** Jim Sant, Utilities Director, Deputy - virtual  
Kari Louie, Assistant Human Resources Director - TMB  
Chris Bacha, City Attorney, Deputy - virtual  
Andy Cherullo, City Finance Director (Interim Treasurer) - virtual  
Shelby Fritz, Human Resources Director - TMB

**Committee Staff Present:** Greg Settle, Senior Consultant, Hyas Group – TMB  
Charles Lee, City Attorney - virtual  
Tammy Liddle-Lobban, Management Analyst III - virtual  
Cindy Farmer, Human Resources Specialist - virtual  
Monica Rutledge, Human Resources Specialist - virtual

**Guests Present:** Peter Hoerber – MissionSquare - TMB  
Erika Armstrong – MissionSquare – virtual  
Byron Allen – Local 483/Joint Labor - TMB

**MINUTES**

The meeting began at 1:03 p.m.

**I. Call to Order/Welcome**

Jim Sant opened the meeting and welcomed all of the participants.

**II. Roll Call of Committee Members**

Committee Members Jim Sant, Kari Louie, Shelby Fritz, Chris Bacha and Andy Cherullo were present at the meeting. Committee Member Alice Phillips was absent.

**III. Adoption of the Agenda**

The meeting agenda was reviewed. Jim Sant called for a motion to adopt with no changes.

1<sup>st</sup> motion: Andy Cherullo

2<sup>nd</sup> motion: Chris Bacha

All Approved, motion passed

**IV. Call for Public Comment**

Jim Sant asked if there was any public comment. Cindy Farmer replied there were none.

**V. Review and Approval of Prior Meeting Minutes**

Jim Sant asked for a motion to accept the December 1, 2022, meeting minutes as presented.

1<sup>st</sup> motion: Andy Cherullo

2<sup>nd</sup> motion: Chris Bacha

All approved, motion passed

**VI. City of Tacoma Staff: 2023/2024 Biennium Budget Update**

Tammy Liddle-Lobban reviewed the funds used in January and February noting that expenses were lower than planned for mostly due to reduced personnel costs. Tammy reviewed the budget by category and Jim Sant said the committee would continue to monitor the account balance.

**VII. MissionSquare: Service Delivery Report and Planning Discussion**

Erika Armstrong from MissionSquare discussed the technology difficulties they had when transitioning systems in 2022. Noting that call volumes were very high causing slow response time and as a result they doubled the call center staff. She acknowledged that retirees could have been better handled and they are in the process of reaching out to them.

There were payroll challenges as a result of the changes and Christopher Piercey in the City payroll office was acknowledged for going above and beyond in assisting them with working to make things successful. The payroll deposits received by 6:00 pm, will now be posted the same day. Those that had previous delays were backdated so there was no loss to the employee.

Going forward, the goal is for the call center to be answered within one minute, they will continue to hire new staff, and noted that the password reset is now available online. They will provide monthly call metrics to the committee going forward.

Chris Bacha inquired what kinds of calls were increasing, Erika's response was that it was mostly password resets, and withdrawal backlogs, which is now cleared out.

Jim Sant inquired on behalf of an employee who questioned whether the personal rate of return was calculating correctly. Peter Hoerber will connect with Jim privately to assist that employee directly.

Erika suggested MissionSquare create some webinars on how to navigate the website to ensure customers are able to find accurate information.

Peter mentioned they'd like to get back out to doing worksite visits and Kari Louie said her staff are working on contacting departments to see what their needs are going forward and that we need to see if this is already covered in the contract or if it needs amending. Erika said she thought it was already in the contract.

Greg asked about auto-enroll for employees and thought it would be worth discussion at the committee level.

**VIII. Hyas Group: Fourth Quarter 2022 Combined Plan Investment Performance Review**

Greg Settle presented the Fourth Quarter 2022 Plan and Investment Performance Report for the City of Tacoma 457 Deferred Compensation Plan. Greg felt it might be helpful if the committee could get retirement forecasts from the TERS director later this year.

**IX. Hyas Group: Fourth Quarter 2022 Plan Review: MissionSquare Program**

One Plan investment was noted as underperforming the standards of the Plan's Investment Policy Statement (IPS) - the Invesco Global R6 Fund, which was on Watch and is discussed under item X1 below.

Greg noted the performance improvement of the American Funds EuroPacific Growth Fund, which is again performing in compliance with the standards of the IPS. The Committee left the Fund on Watch status.

Greg also reported that a co-portfolio manager for the MFS Mid-Cap Growth R6 Fund has taken a leave of absence from his post, and that the Hyas Group recommends placing the fund on Watch. The Committee concurred and voted unanimously to take this action.

A motion was made to place the MFS Mid-Cap Growth R6 Fund on watch

1<sup>st</sup> motion: Chris Bacha

2<sup>nd</sup> motion: Andy Cherullo

All approved, motion passed

**X. Hyas Group: Fourth Quarter 2022 Plan Review: Nationwide Program**

Greg Settle noted a slight increase in loans and reported Nationwide had a negative cash flow in 2022.

**XI. Hyas Group: Manager Search: Review of alternatives to Invesco Global R6 Fund**

Greg Settle presented a Manager Search for alternatives to the underperforming and volatile Invesco Global R6 Fund noting that with only one fund in the "Global Equity" category, it would seem more appropriate to have a "Blend" fund rather than a "Growth" fund for this asset class.

Upon reviewing the alternatives and after Committee discussion, the Committee determined that the American Funds Global Insights R6 Fund is "reasonably similar" from a mapping perspective and voted to replace the Invesco Global R6 Fund with the American Funds Global Insights R6 Fund using 404(c)(4) mapping of "like-to-like funds". Greg will send Kari language to use when instructing the TPAs to make this change by March 2.

A motion was made to replace the Invesco Global R6 Fund with the American Funds Global Insights R6 Fund

1<sup>st</sup> motion: Chris Bacha

2<sup>nd</sup> motion: Andy Cherullo

All approved, motion passed

**XII. Hyas Group: Review of CIT Funding Option for Vanguard Target Date Fund Suite**

Greg Settle provided information about the Comingled Investment Trust (CIT) version of the Vanguard Target Retirement Fund suite, noting the expense ratio of .075% per year for the CIT, compared to .08% per year for the mutual fund version of the suite now used in the City's Plan. Greg noted that further annual savings of over .02% per year in dividend tax withholding may be realized through using the CIT version as well. He also reminded the Committee that with a CIT product, subscription paperwork and an opinion of counsel will be required to adopt this type of investment product.

After some discussion the Committee determined that the Vanguard Target Retirement Comingled Investment Trust series of funds are "reasonably similar" from a mapping perspective and voted to replace the Vanguard Target Retirement Mutual Fund suite of funds with the Vanguard Target Retirement Comingled Investment Trust series of funds using 404(c)(4) mapping of "like-to-like funds". Hyas Group will assist the City with completing the needed paperwork in the coming weeks.

A motion was made to replace the Vanguard Target Retirement Mutual Fund suite of funds with the Vanguard Target Retirement Comingled Investment Trust series of funds

1<sup>st</sup> motion: Chris Bacha

2<sup>nd</sup> motion: Andy Cherullo

All approved, motion passed

### **XIII. Hyas Group: Legislative and Regulatory Update**

Greg Settle presented a review of the Secure Act 2.0 legislation that was signed into law at the end of 2022. Questions were asked about how quickly the Plan document will need to be amended to reflect the immediately required changes, and about some aspects of implementation. These included the "hardship withdrawal self-certification" provision and the elimination of the "first-of-the month rule" for 457 plans. Greg noted that there were some gray areas in various parts of the new law and that further guidance is expected from the U.S. Department of the Treasury in the coming months, which may answer some of these questions. The Committee decided to wait until the next Committee meeting to take any action on the optional items and asked that he provide an update on the new law and any guidance received at that meeting.

Kari proposed that the committee move forward immediately with implementing the required items from Secure 2.0, which for the City would be the change to the allowable start date of any contribution changes. Greg supported the proposal and the committee agreed.

### **XIV. Review of Meeting Action and Discussion Items for Follow-Up**

- a. December 2022 minutes were approved.
- b. The Committee agreed to place the MFS Mid-Cap Growth R6 Fund on watch.
- c. The Committee voted to replace the Invesco Global R6 Fund with the American Funds Global Insights R6 Fund.
- d. The Committee voted to replace the Vanguard Target Retirement Mutual Fund suite of funds with the Vanguard Target Retirement Comingled Investment Trust series of funds.

- e. The Committee agreed to move forward with the Secure 2.0 changes that required an immediate response.
- f. Charles will begin reviewing the Plan Document to incorporate the 2.0 changes.

**XV. Questions/ Open Discussion/ Housekeeping items/ Next Meeting Agenda**

Kari provided follow up information MissionSquare's difficulties over the last few months. Their website change and call center delays created some problems for customers, but they were very responsive and working with City payroll to better automate the processes. Things are getting better, and they are being closely monitored. She also reminded everyone that the City's representative with MissionSquare is still new to their organization and is learning as well.

Greg noted he has other clients that have had even bigger problems than what the City of Tacoma has experienced with MissionSquare.

Consideration of new Officers for the Committee to replace retiring members should be added to the next meeting agenda.

Meeting adjourned at 3:22 p.m.