

Deferred Compensation
May 24, 2018
Tacoma Municipal Building
Room 138
1:00pm – 4:00 pm

Committee Members Present:

Committee Chair Jim Sant, Utilities Director, Deputy
Members Present Kari Louie, Senior Compensation and Benefits Manager
Chris Bacha, City Attorney, Deputy
Gary Buchanan, Human Resources Director
Teresa Sedmak, City Treasurer

Committee Staff Present: Greg Settle, Hyas Group, Senior Consultant
Sam Benscoter, Management Analyst III
Hayley Falk, Management Analyst II
Martha Lantz, City Attorney, Deputy
Diane Peterson, Human Resources Specialist

Guests Present: Mike Ferguson, Nationwide Sr. Retirement Specialist
Chris Morton, Nationwide Program Director WA & OR

The meeting began at 1:06 pm.

I. Review and approval of prior meeting minutes

The March 16, 2018 Deferred Compensation Committee minutes was reviewed.

A motion was made to accept the March 16, 2018 minutes as presented.

1st motion: Teresa Sedmak

2nd motion: Chris Bacha

The motion was approved

II. Hyas Group: First Quarter 2018 Performance Review: ICMA-RC & Nationwide Programs

Greg Settle presented the First Quarter 2018 Performance Reports. The AMG Managers/ LMCG Small Cap Growth Fund and the Vanguard Mid Cap Growth Fund both continue to underperform the performance standards of the Investment Policy Statement.

After a strong first quarter and excellent YTD performance through mid-May, Hyas Group recommends continued patience with the improving Vanguard Mid Cap Growth Fund.

Funds to remain on Watch: Vanguard Mid Cap Growth Fund

Performance of the AMG Managers/LMCG SCG Fund improved in the first quarter, but recent updates show it is again underperforming YTD in 2018. A search of alternative small cap growth managers presented at the meeting is discussed below.

III. Hyas Group: Performance Discussion

The Committee discussed the continued negative cash-flow from the core 457 Plan, and strategies to ensure that participants are making informed decisions when they initiate transfers out of the Plan. Greg Settle described an educational piece recently developed for another client and the Committee asked if Hyas could prepare a version for the Tacoma Plan. They will do so and present it at the next meeting.

IV. Hyas Group: Manager Search: Small Cap Growth

Greg presented a search for alternative small cap growth managers. After the presentation and discussion by Committee members, the Committee voted to replace the AMG Managers/LMCG Small Cap Growth Fund with the Vanguard Explorer Fund. Greg will send language to Jim Sant by June 1, 2018, for instructing Nationwide and ICMA-RC to make this change.

A motion was made to replace the AMG Managers/LMCG Small Cap Growth Fund with the Vanguard Explorer Fund.

1st motion: Chris Bacha
2nd motion: Gary Buchanan
The motion was approved

V. Nationwide: Service Delivery Report

Mike Ferguson and Chris Morton presented the 2017 Review. Mike stated the most significant question from participants shifted from “How are my investments doing?” to “Am I on track for retirement?”

Cybersecurity was discussed. Cybersecurity is of utmost importance to Nationwide. They are committed to protecting participant data. Voice recognition and computer pattern recognition are two examples of security currently being developed.

VI. City of Tacoma Staff: Review of Administrative Account and Plan Budget Update

Sam Bencoter briefed the Committee on the status of budget to actuals as well as the recent draw-down from ICMA-RC and Nationwide executed for the purpose of paying expenses. Revenue and expenses are on track.

Sam will prepare a proposed 2019 budget to present at the August 23rd meeting.

VII. Hyas Group: Legislative and Regulatory Update

Repeated legislative efforts to do away with the Department of Labor’s “Fiduciary Rule” have now been joined by a circuit court decision that casts even longer shadows over the Rule’s future. The decision rejects the regulation redefining fiduciary investment advice.

The Securities and Exchange Commission is publishing for comment a proposed interpretation of the standard of conduct for investment advisors. The SEC is requesting comment on: licensing and continuing education requirements for personnel of SEC-registered investment advisors; delivery of account statements to clients with investment advisory accounts; and financial responsibility requirements for SEC-registered investment advisors, including fidelity bonds.

VIII. Review of Meeting Action and Discussion Items for Follow-Up

Required motions made and approved.

IX. Questions / Open Discussion / Housekeeping Items / Next Meeting Agenda

RFP updates from the February 22nd Committee meeting:

- Tim Allen, Retirement System Director contributed content recommendations,
- Tim will also be a resource to the RFP team,
- RFPs were requested from other governmental entities,
- Kari Louie and Martha Lantz will make adjustments to some language before submitting to Purchasing.

A motion was made to authorize Kari Louie to finalize the RFP and provide to Purchasing for publication conditioned upon the draft being provided to Committee for further review and comment to be submitted June 8th.

1st motion Chris Bacha
2nd motion Teresa Sedmak
The motion was approved

A motion was made to authorize a Selection Advisory Committee consisting of three deferred compensation Committee members and Tim Allen, TERS Director, to evaluate submittals and provide an award recommendation to Committee at its August meeting or special meeting as needed.

1st motion Teresa Sedmak

2nd motion Kari Louie

The motion was approved

Meeting adjourned at 3:57 pm