

Deferred Compensation Quarterly Meeting
May 26, 2022
Virtual Zoom Meeting
1:00 pm – 4:00 pm

Committee Members Present: Jim Sant, Utilities Director, Deputy
Kari Louie, Assistant Human Resources Director
Chris Bacha, City Attorney, Deputy
Andy Cherullo, City Finance Director (Interim Treasurer)
Alice Phillips, IBEW Business Manager

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

Guests Present: Mike Ferguson, Nationwide
Kris Morton, Nationwide
2 Community Members

MINUTES

The meeting began at 1:03p.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, Charles Bacha, and Andy Cherullo were present at the meeting. Alice Phillips joined the meeting at approximately 1:40 p.m. Shelby Fritz was absent from the meeting.

III. Adoption of the Agenda

The meeting agenda was reviewed. Jim Sant proposed a change to drop item #10 which was discussed at a previous Committee meeting, and to add an item regarding the Dodge and Cox Fund suggested by Greg Settle. There was no disagreement with the changes

IV. Review and Approval of Prior Meeting Minutes

Jim Sant asked for a motion to accept the February 24, 2022 meeting minutes as presented.

1st motion: Chris Bacha

2nd motion: Andy Cherullo

All approved, motion passed

V. City of Tacoma Staff: Review of Administrative Account, Plan Budget Update & Fee Rate

Tammy Liddle Lobban provided an update on the City's biennium budget process and indicated that draft proposals would be submitted the following week. It was discussed that she would come back and present at the August meeting to present the draft biennium budget. Additionally, Tammy presented on a Budget vs. Actuals report for the current budget and reported that as of April, expenses were below budget, primarily in Personnel Services due to a staff vacancy.

Greg Settle began a discussion on an analysis of participant fees versus the budget requirements as a basis to perhaps consider new participant rates. There was discussion that due to market conditions we didn't want to have the City be in the position of dropping fees too much and then having to raise them again. So the committee decided to pause this conversation until after the economic update was presented in the meeting.

VI. Hyas Group First Quarter 2022 Combined Plan Investment Performance Review

Greg Settle reviewed the March 31, 2022 Plan and Investment Performance Report for the City's 457(b) Plan. Two funds were found to be underperforming the standards of the Plan's Investment Policy Statement (IPS). They and other funds on Watch Status were discussed in further detail below:

- a. The American Funds EuroPacific Growth R6 Fund continued to be in underperformance despite performing in the top 31st percentile vs. peers in the first quarter. Given the fund's stable and respected management team and the unique circumstances brought about by the Russian invasion of Ukraine, Greg recommended patience and the Committee took no action.
- b. The Vanguard Institutional Target Retirement 2015 Fund was again in underperformance of the standards of the IPS. Greg reminded the Committee that the fund is scheduled to be eliminated and its assets moved to the Vanguard Institutional Retirement Income Fund later this year, so the Committee took no action.
- c. Greg provided an update on the MissionSquare Plus Fund's personnel changes and some minor revisions to the fund's design. Although the Hyas Group is comfortable with the changes made and the fund's performance, he recommended that the fund remain on Watch and the Committee concurred.
- d. Greg noted that the Metropolitan West Total Return Bond Plan Fund had reported no new personnel or management changes since the third quarter of 2021 when the fund was placed on Watch Status. He recommended that the fund remain on Watch and the Committee concurred.

The Committee came back to the fee discussion from earlier in the meeting. There was discussion related to the balances in the Plan's Administrative Account and the current fee charged to participants. It was observed that Plan asset levels have declined over 14% thus far in 2022 and that continued volatility in markets is expected, with the potential for further declines in asset levels. Given this unpredictable situation, the Committee elected to postpone any decisions at this meeting and to revisit the asset levels, fee rate, and Administrative Account balance at the next Committee meeting. Hyas Group will prepare an updated fee rate analysis and work with the City's Finance Department to identify the updated Administrative Account balances and the finalized biennial budget requirements.

A motion was made to postpone any decision and to re-visit the analysis of participant fees at the next scheduled Committee meeting.

1st motion: Chris Bacha

2nd motion: Andy Cherullo

All approved, motion passed

VII. Hyas Group First Quarter 2022: MissionSquare Program

Greg Settle discussed the Fourth Quarter MissionSquare performance report. The plan assets, cash flow and fees continued to trend downward.

VIII. Hyas Group First Quarter 2022: Nationwide Program

Greg Settle discussed the Fourth Quarter Nationwide performance report. The Nationwide plan was showing similar downward trends, and experienced a negative cash flow for the first time.

IX. Nationwide: Participant Activity, 2022 Planning and Service Delivery Report

Kris Morton reviewed the current plan status, and stated that in spite of the market, plan participation has increased by 25 new enrollments during the first quarter. The average account balance was over \$216,000 and they continue to engage participants with their on-line account tools.

Mike Ferguson commented that he was glad to see the continued increase in new enrollments. They will soon move to a new on-line enrollment process they are coordinating with City staff. Mike indicated he is getting back out into the field and looking forward to meeting again with participants. He explained that some of the negative cash flow the plan is experiencing is due to recent retiree withdrawals from the plan.

X. Hyas Group: Dodge and Cox Fund proposed change

Greg informed the Committee that Dodge and Cox had just released a new, zero-revenue share version of the Dodge and Cox International Stock Fund that is offered in the City's Plan. He recommended that the Committee approve a transfer to this fund from the currently held revenue-sharing version. Greg indicated he would send the City language to use by May 31, 2022 when instructing MissionSquare and Nationwide to make this change.

There was discussion among the Committee members regarding language in Article V, Section 8 of the plan bylaws about a 24-hour notice relating to changes to the agenda.

A motion was made to temporarily suspend Section 8 in Article V of the plan bylaws through the use of Section 7 to allow the Committee to hold a vote on an item added to the agenda.

1st motion: Alice Phillips

2nd motion: Kari Louie

All approved, motion passed

A motion was made to move the Dodge and Cox Fund from a revenue share to a non-revenue share class.

1st motion: Alice Phillips

2nd motion: Andy Cherullo

All approved, motion passed

XI. Hyas Group: Legislative and Regulatory Update

Greg Settle reviewed the current Fiduciary Advisor Newsletter. He discussed the proposed provisions in the Secure Act 2.0 Bill passed by the House and indicated there is similar legislation in a draft Senate bill.

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

Jim Sant reviewed the action items from the meeting.

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

- The Committee will revisit the asset levels, analysis of participant fee rate, and Administrative Account balances at the next Committee meeting in August.
- Draft minutes from this meeting will be added to the next agenda for Committee review and approval.

Meeting adjourned at 2:52p.m.