

Deferred Compensation Quarterly Meeting
August 25, 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
Shelby Fritz, Human Resources Director

Committee Staff Present: Greg Settle, Senior Consultant, Hyas Group
Tammy Liddle-Lobban, Management Analyst III
Cindy Farmer, Human Resources Specialist
Monica Rutledge, Human Resources Specialist

Guests Present: Erika Armstrong, MissionSquare
Keith Penewit, MissionSquare
Kim Wilson, Brown and Brown
Saada Gegoux, City of Tacoma Risk Manager
Tim Allen, City of Tacoma Director of Retirement
Kristopher Hampton, Local 31 Firefighter
1 Community Member

MINUTES

The meeting began at 1:04p.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, Andy Cherullo and Alice Phillips were present at the meeting. Shelby Fritz joined the meeting at approximately 1:15 p.m. Alice Phillips left the meeting at approximately 2:30pm.

III. Adoption of the Agenda

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

1st motion: Andy Cherullo
2nd motion: Alice Phillips
All Approved, motion passed

IV. Review and Approval of Prior Meeting Minutes

Jim Sant asked for a motion to accept the May 26, 2022 meeting minutes as presented.

1st motion: Andy Cherullo
2nd motion: Alice Phillips
All approved, motion passed

V. City of Tacoma: Fiduciary Insurance Renewal: Update

Saada Gegoux introduced Kim Wilson, our insurance broker from Brown and Brown. Saada reviewed the management and purpose of Liability Insurance for TERS Retirement, Deferred Compensation, MissionSquare and Nationwide.

Kim Wilson expanded on the insurance market challenges with vendors that are available for this kind of insurance and the related costs. There has been an increase in premium cost and a decrease in coverage due to an increase in related industry lawsuits. There was additional discussion on different ways to avoid issues and help protect the City.

There was discussion around fiduciary training for committee members. Saada and Kim said they'd get more information and follow up with the Committee. Greg Settle offered training to members on behalf of Hyas and will provide training on fiduciary duties and roles for deferred compensation committee members at the next Committee meeting. Jim asked Tammy about the budget for training, she responded that the Employee-Related Costs line item can be used for training expenses.

VI. MissionSquare: Participant Activity, 2022 Service Delivery Report and Planning Discussion

Jim Sant introduced Erika Armstrong from MissionSquare. Erika introduced Keith Penewit as our new plan representative. Erika reviewed the 2022 mid-year participant activity, noting increases in new enrollments and plan roll-ins, as well as almost \$6,000,000 in plan roll-outs. They are trying to be proactive with education during this period of market volatility.

MissionSquare is making digital upgrades to their website and EZ link, including on-line enrollment, with the launch date delayed until 10/10/2022. They will send announcements and FAQ's to participants via email and postcards. They are also introducing a Financial Wellness Score feature (FWC) with mobile App, which offers tips & tools for increasing financial health. In addition, they are planning to outsource their participant call center. Greg Settle asked if the call center will be located within the United States. Erika responded they are US based in Kansas City and Connecticut..

Erika brought up the Saturday hours requirement in the contract, and explained that in the time since implementation, there has only been one Saturday call for all of their clients and proposed ending the Saturday hours offering and would like to discuss replacing it with something else. Kari Louie expressed interest in videos and online training. Alice Phillips voiced that she supports the change from Saturday hours. Jim also agreed and proposed that the committee get back to MissionSquare on the Saturday hours issue with other ideas and asked that the committee give any suggestions for the service replacement to Kari and himself. Chris Bacha asked if a contract amendment would be needed, the consensus was yes because the contract specifically calls for it and recommended the committee email Charles Lee and himself for next steps when it comes time for a contract change.

VII. City of Tacoma Staff: Review of Administrative Account, Plan Budget Update

Jim Introduced Tammy Liddle-Lobban who reported that we are still under budget for 2022, due to a staff vacancy. Tammy reviewed the administrative account balances and presented a proposed budget outline for 2023-24 which is the new biennial budget period for the City. Jim asked about funding for training in the budget and was informed that any proposed changes would need to be sent to Tammy by 9/6/22. Greg suggested the NAGDCA (National Association of Government Defined Contribution Administrators) conference in 2023, which will be held in Seattle. This would be an excellent resource for the committee and would include peers from other government agencies. Jim recommended increasing the Employee-Related Expenses line item for 2023 only, by \$3,500.00 to allow for the NAGDCA conference attendance next year.

VIII. Review of Participant Fee Rate Vs. Budget Requirements and Alternative New Rates

Greg Settle reviewed the current participant fee rate and 2nd quarter administrative account balance, outlining the current dollar surplus level of approximately \$579,000. He then presented an analysis on various participant fee rates and projected revenues at current and alternative asset levels, based on the volatility of current investment markets. He expressed that most clients allow for 6 months of account surplus allowing for market fluctuations. Andy suggested a conservative lowering of fees for participants. Alice, Chris and Greg agreed with this approach. Greg recommended reducing the surplus balance to half by providing participants a fee credit and to carefully consider any fee reduction so that any immediate fee change would not impact future revenue needs and the fees wouldn't have to be raised again in the future.

Based on the discussion and analysis, Jim suggested reducing fees by .5 basis points (from .06% per year to .055% per year) and giving participants a fee credit as a solution to draw down the surplus account balance and to limit future risk of having to increase fees. The Committee reviewed the balance accumulated in the Administrative Accounts and decided the recordkeepers will allocate all but \$275,000 of the balance to participant accounts, in a pro-rata manner. This will appear as a fee credit on participant statements.

A motion was made to lower the participant fee to .055 % and to divide the surplus Administrative Account balance above \$275,000.00 amongst the participant accounts.

1st motion: Chris Bacha

2nd motion: Andy Cherullo

All approved, motion passed.

Greg will communicate the needed changes with the vendors and prepare a draft communication to distribute to participants and send to Kari by 9/2/22.

IX. Hyas Group: Second Quarter 2022 Combined Plan Investment Performance Review

Greg Settle reviewed the second quarter combined plan investment performance, and current economic conditions. He noted that three Plan investments were underperforming the performance standards of the Investment Policy Statement (IPS): The Invesco Global R6 Fund; the American Funds EuroPacific Growth R6 Fund; and the Vanguard Target Retirement 2015 Fund. The Vanguard Target Retirement 2015 Fund was eliminated in July, with its assets folded into the Vanguard Target Retirement Income Fund, so no action was needed for that fund.

Greg noted that the MissionSquare Plus Fund is performing well and that Hyas Group has concluded that the manager changes at the firm appear to be appropriate and well-considered and no further changes are expected in the short-term. He recommended that the Committee remove the Plus Fund from Watch Status.

A motion was made to remove the MissionSquare Plus Fund from Watch.

1st motion: Kari Louie

2nd motion: Chris Bacha

All approved, motion passed.

Greg reported that the Metropolitan West Total Return Bond Plan Fund is meeting the performance standards of the IPS and that Hyas Group has concluded that the changes in senior management at the firm appear to have concluded with no new developments in 2022 thus far. Greg recommended that the Committee remove the fund from Watch Status.

A motion was made to remove the Metropolitan West Total Return Bond Plan Fund from Watch.

1st motion: Andy Cherullo

2nd motion: Shelby Fritz

All approved, motion passed.

Greg discussed the performance of the American Funds EuroPacific Growth R6 Fund, noting that it is performing in the top quartile vs. peers year-to-date and the unpredictable nature of foreign markets in the current environment. Greg recommended no action at this time. The fund remains on Watch.

Greg reviewed the poor recent performance of the Invesco Global R6 Fund and discussed its concentrated nature and extreme performance behaviors over the past six years, which has mostly been either top or bottom decile.

A motion was made to place the Invesco Global R6 Fund on Watch.

1st motion: Chris Bacha

2nd motion: Andy Cherullo

All approved, motion passed.

X. Hyas Group: Second Quarter 2022 Plan Review: MissionSquare Program

Greg reviewed the second quarter MissionSquare plan performance, as summarized above.

Greg also discussed the Investment Performance Compliance Report, noting that the plan cash flow is currently negative for the second consecutive year.

XI. Hyas Group: Second Quarter 2022 Plan Review: Nationwide Program

Greg reviewed the second quarter Nationwide plan performance and noted that the plan is experiencing a step back in assets with a negative cash flow for the first time ever. He noted a turnover in firefighter personnel, possibly due in part to a recent vaccine requirement.

XII. Hyas Group: Legislative and Regulatory Update

Greg reviewed the "457 Plan Fiduciary Advisor" newsletter and recent developments in the regulatory and legislative environment. There is not a lot currently happening with progress of the Secure Act 2.0, with Congress busy with other priorities during an election season.

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

Jim Sant reviewed the action items from the meeting.

- a. Adoption of May 26, 2022 minutes.
- b. Addition of \$3,500 to 2023 budget for training under Employee-Related Expenses.
- c. The proposed 2023/2024 budget will be presented to City Council for approval.
- d. HYAS will provide fiduciary training at the next meeting on December 1, 2022.
- e. There was a motion to reduce the administrative account to \$275,000 and recordkeepers will allocate the surplus balance to participant accounts in a pro-rata manner. Greg will prepare instructions for the City to use when instructing the recordkeepers to make these changes, and a draft communication for employees.
- f. There was a motion to reduce the participant plan basis fees from .06% to .055%.
- g. A motion was made to remove the MissionSquare Plus Fund and Metropolitan West Total Return Bond Plan Fund from Watch.

h. A motion was made to place the Invesco Global R6 Fund on Watch.

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

- a. Add 'Approval of 2023/2024 Budget' to next meeting Agenda; once approved by City Council.
- b. Add 'Approval of 8/25/2022 Meeting Minutes' to next meeting Agenda.

Meeting adjourned at 3:26pm