

Deferred Compensation Quarterly Meeting
February 25, 2021
Virtual Zoom Meeting
1:00pm – 4:00 pm

Committee Members Present: Jim Sant, Utilities Director, Deputy
Kari Louie, Senior Compensation and Benefits Manager
Alice Phillips, Business Manager, IBEW 483
Chris Bacha, City Attorney, Deputy
Gary Buchanan, Human Resources Director
Andy Cherullo, City Finance Director (Interim Treasurer)

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

Guests Present: Matthew Frank, Fire Lieutenant
Kris Morton, Nationwide
Mike Ferguson, Nationwide

MINUTES

The meeting began at 1:08 p.m.

I. Review and Approval of Prior Meeting Minutes (Committee action item)

Alice Phillips made a motion to accept the December 3rd, 2020 minutes as presented.

1st motion: Alice Phillips

2nd motion: Andy Cherullo

All approved, motion passed.

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

Tammy Liddle Lobban presented on the Deferred Compensation Budget vs. Actuals to date. She reviewed the Administrative Account balance on hand and with the providers.

- As of January 31, 2021, account balances were as follows:
 - ICMA-RC: \$219,082.31
 - Nationwide: \$38,632.59
 - Cash on Hand: \$10,417.28
 - Grand Total = \$268,132.18

III. Hyas Group: Fourth Quarter 2020 Plan Review: ICMA-RC Program

Greg Settle presented the Fourth Quarter 2020 ICMA-RC Performance Report. Current assets have reached a new high at \$491,767,416. There has been a jump in self-directed accounts and an upward trend in target-date fund investments. Cash flow has shown low growth due to the Covid-19 virus, but the average participant account balance is at an all-time high.

IV. Hyas Group: Fourth Quarter 2020 Plan Review: Nationwide Program

Greg Settle presented the Fourth Quarter 2020 Nationwide Performance Report. This plan has shown similar growth with approximately \$93,500,000 in current assets. Self-directed brokerage accounts have tripled to 2.4%. The plan has shown strong cash flow and a high average participant account balance.

V. Hyas Group: Fourth Quarter 2020 Combined Plan Investment Performance Review

Greg Settle presented the Fourth Quarter 2020 Performance Report. He shared that small caps outperformed large caps for the first time in years. The Hotchkis and Wiley High Yield Fund continued to underperform the standards of the Investment Policy Statement. A manager search for alternatives was presented as noted below.

Greg noted that the Department of Labor had released guidance in late 2020 that indicates that ESG or “social funds” should be benchmarked against funds that are similar from investment style and capitalization standpoints, rather than non-pecuniary factors such as social investing policies. Accordingly, the Hyas Group recommends changing the primary benchmark index for the Vanguard FTSE Social Index Fund to the S&P 500 Index. He will be bringing more information about this topic and a revised, draft Investment Policy Statement to the next Committee meeting.

VI. Nationwide: Service Delivery Report and Planning Discussion

Kris Morton reported that plan assets are at approximately \$97,500,000 and continue to grow. There were 47 new enrollments during 2020, with ongoing interest in Roth plans, currently at an 11% participation rate. They continue to focus on Retirement Readiness classes and planning tools.

Mike Ferguson shared that they have had a successful year, including new enrollments, while primarily working from home. They continue to work with near-retirees on financial options, and using the on-line calculator for goal setting. Currently, 75% of participants are on track for goals. They are focusing on further education, including webinars offered on Tuesdays covering a variety of topics, and continuing to meet with participants to review options and set retirement goals.

VII. Hyas Group: Manager Search: High Yield Bond Fund Manager

Greg Settle presented a review of alternative high yield bond fund managers and updated the performance of the Hotchkis and Wiley Fund. The fund was a strong performer in the fourth quarter and has continued to do well in 2021 to date. He also pointed out that the fund is relatively underutilized, holding less than .4% of Plan assets, and that as an asset class, high yield has a volatile history and a somewhat unstable benchmark index. The Committee asked him to prepare a presentation on deferred compensation plan investment menu design at the next meeting, and to bring an updated version of this manager search document; at that time, the Committee will decide whether to retain the fund, replace it, or eliminate this asset class from the fund menu altogether.

VIII. Hyas Group: Legislative and Regulatory Update

Greg Settle reviewed the “457 Plan Fiduciary Advisor” newsletter and briefly discussed the proposed Secure Act 2.0 legislation containing changes that would impact retirement plan laws.

IX. Update on RFP For Third Party Administrator

Kari Louie reported on the Request for Proposal (RFP) for the Third Party Administrator and noted that finalists in the process are to be interviewed in early March. Delays in the process may require that the present contracts with ICMA-RC and Nationwide be extended a month or two; a determination on that will be made in the coming weeks.

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

Jim Sant reviewed meeting action and items for follow-up:

- Meeting minutes from 12/3/2020 were approved by the committee
- Greg Settle will bring an updated draft of the Investment Policy Statement and information on the primary benchmark index to the next committee meeting
- The committee agreed to keep the Hotchkis & Wiley High Yield Fund in the portfolio for now
- A special meeting will be scheduled to address the results of the RFP for the Third-Party Plan Administrator

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

- 2/25/21 meeting minutes for committee approval.

Meeting adjourned at 2:35 p.m.