

Deferred Compensation
December 5, 2019
Tacoma Municipal Building
Room 138
2:30pm – 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

Committee Members Absent: Teresa Sedmak, City Treasurer

Committee Staff Present: Greg Settle, Hyas Group, Senior Consultant
Charles Lee, City Attorney, Deputy
Diane Peterson, Human Resources Specialist

Guests Present: Mike Ferguson, Sr. Retirement Specialist, Nationwide Retirement Solutions
Kris Morton, Program Director, Nationwide Retirement Solutions

The meeting began at 2:33 pm.

I. Review and approval of prior meeting minutes

The Committee reviewed the minutes for the August 22, 2019 and the October 29, 2019 meetings.

A motion to accept the August 22, 2019 and the October 29, 2019 meeting minutes as presented.

1st motion: Kari Louie

2nd motion: Gary Buchanan

The motion was approved

II. Nationwide Service Delivery Report and Discussion

Nationwide Retirement Solutions is available to the City's Local 31 employees. Mike Ferguson and Kris Morton, Nationwide Retirement Solutions representatives discussed the 2019 service performance.

Over 46% of Local 31 employees are currently participating in the Nationwide deferred compensation plan. The plan assets have increased by 5.1% in the last year. As of the end of the 2019 Third Quarter, Plan assets totaled \$74.1 million.

With the help of one-on-one meetings with representative Mike Ferguson, educational workshops, and other communications, 70% of participants who have engaged about their retirement readiness through Nationwide's online resources show that they are on the right track and prepared for retirement.

III. Review of Administrative Account and Plan Budget Update

Budget office personnel will give the members a budget update at the February 27, 2020 meeting.

IV. Hyas Group: Third Quarter 2019 Combined ICMA-RC and Nationwide Retirement Solutions Investment Performance Review

Greg Settle presented the Third Quarter 2019 Performance Report. The Vanguard Mid Cap Growth Fund and the Hotchkis and Wiley High Yield Fund were found to underperforming the standards of the Investment Policy Statement.

It was noted that the Vanguard Mid Cap Growth Fund encountered difficulties in the third quarter, reflecting negatively on Vanguard's early-year sub-advisor change. Hyas Group will be monitoring the fund closely and will provide a detailed report at the next meeting. The fund will remain on Watch.

The Hotchkis and Wiley High Yield Bond Fund has underperformed this year by a significant amount. Hyas Group conversations with the firm have revealed that the fund's managers have high confidence in their security selection, while acknowledging that much of the portfolio is out of favor with more contemporary high yield managers; but insist that the strategy will pay off. Given their successful track record, the Committee agreed to be patient but did place the fund on Watch status.

Funds on watch: **Vanguard Mid Cap Growth**
Hotchkis and Wiley High Yield Bond

Greg also led a discussion about the increasing number of governmental retirees who are finding that they have the same or higher take-home pay as retirees as they did when they were employees, even before considering their 457 Plan accounts. He will be in touch with the Director of the Tacoma Employees' Retirement System to learn more about the prevalence of these circumstances and will report his findings to the Committee.

V. Legislative and Regulatory Update

The maximum contribution allowed to the 457(b) plans has increased to \$19,500 in 2020. The age 50 "catch-up" contribution increased to \$26,000.

VI. Update: Potential Revisions to Plan Documents and By-Laws

Kari Louie and Diane Peterson will work with Charles Lee in reviewing the current Plan Document and By-Laws to better align plan language with the Committee's recommended practices. A red-lined draft will be presented at the February 27, 2020 meeting.

Charles will research the visibility of Committee business on the City of Tacoma's website.

The Committee discussed the Chair and Vice-Chair roles and tenure for further consideration and alignment with the Plan documents and By-Laws.

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

Charles Lee suggests all Committee Members and Diane Peterson take the online Open Government training through the Washington State Attorney's General Office web page.

Meeting adjourned at 3:50 pm.