

Deferred Compensation
February 27, 2020
Tacoma Municipal Building
Room 138
1:00pm – 4:00 pm

Committee Members Present: Jim Sant, Utilities Director, Deputy
Kari Louie, Senior Compensation and Benefits Manager
Teresa Sedmak, City Treasurer
Chris Bacha, City Attorney, Deputy

Committee Members Absent: Alice Phillips, Business Manager, IBEW 483
Gary Buchanan, Human Resources Director

Committee Staff Present: Greg Settle, Hvas Group, Senior Consultant
Charles Lee, City Attorney, Deputy
Sam Benscoter, Finance, Management Analyst III
Tammy Liddle Lobban, Finance, Management Analyst II
Diane Peterson, Human Resources Specialist

Guests Present: Peter Hoerber, ICMA-RC Regional Vice President, Northwest
Corey Wiggins, ICMA-RC Vice President, Relationship Management
Scott Berry, ICMA-RC Retirement Plans Specialist

The meeting came to order at 1:05 pm.

I. Review and approval of prior meeting minutes

The Committee reviewed the minutes for the December 5, 2019 Deferred Compensation Committee Meeting.

A motion was made to accept the December 5, 2019 minutes as presented.

1st motion: Teresa Sedmak

2nd motion: Kari Louie

The motion was approved

II. Review of Administrative Account and Plan Budget Update

Sam Benscoter and Tammy Liddle Lobban updated the Committee on the Deferred Compensation Budget Report as of December 2019. Some key figures include:

2019 Projected Revenue:		(\$211,959.00)
December 2019 Actual:		(\$208,586.00)
2019 Projected Expense:		\$210,623.00
December 2019 Actual:		\$202,969.00
Administrative Account Balances as of December 31, 2019:	ICMA-RC:	\$132,830.00
	Nationwide:	\$ 22,412.00
Fund 6050 – Deferred Compensation Ending Cash Balance:		<u>\$ 4,457.00</u>
	Grand Total - Cash:	\$159,699.00
Plan Assets as of December 31, 2019:	ICMA-RC:	\$433,588,361.00
	Nationwide:	\$ 79,507,916.00

III - V. Hyas Group: Fourth Quarter 2019 ICMA-RC and Nationwide Program Reviews

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

He reported that Hyas Group had recommended reviewing alternatives to the Vanguard Mid Cap Growth Fund early in this quarter, as a result of continuing underperformance and their increasing concern about the replacement in 2019 of the fund's leading sub-advisor. At the Committee Chair's direction, Hyas prepared a manager search for presentation at this meeting. That manager search is discussed below.

The Hotchkis and Wiley High Yield Bond Fund has finished the year with substantial underperformance. Hyas Group's ongoing conversations with the firm's fund managers have shown their continuing high confidence in their security selection. Given their successful long-term track record and the present turmoil in the high yield bond market, Hyas Group recommended patience. The Committee agreed to keep the fund on Watch status.

VI. Hyas Group: Manager Search

Greg presented a manager search for alternatives to the Vanguard Mid Cap Growth Fund. After some discussion, the Committee agreed with his recommendation of replacing the fund with the MFS Mid Cap Growth Fund R6, due to its strong performance, relatively low volatility, deep and experienced management team, and solid down-market performance. He will prepare instructions by March 6th for the Committee to send to ICMA-RC and Nationwide to make this change.

A motion was made to replace the Vanguard Mid Cap Growth Fund with the MFS Mid Cap Growth Fund R6.

1st motion: Teresa Sedmak

2nd motion: Chris Bacha

The motion was approved

VII. ICMA-RC Service Delivery Report and Planning Discussion

ICMA-RC has met all 2019 Performance Guarantees.

Changes for 2020 include an updated seminar lineup. The number of seminars will be reduced from 45 down to 15 or 16. They have also hired a third party to maintain the lineup and increase compliance oversight. The ICMA-RC representatives also provided a demo of their website and highlighted its retirement planning features.

VIII. Hyas Group: Profile of TERS and LEOFF II Members Nearing Retirement Age

Defined Benefits Retirement Plans the City of Tacoma offers are:

- Tacoma Employees' Retirement System (TERS)
- Washington LEOFF II
- Non-LEOFF City employees also participating in Social Security

Many City employees will retire with ample income from their core retirement benefits, TERS, and Social Security or LEOFF. But, a minority will have much less in pension income from these sources. Retirees with large deferred compensation plan balances will also likely be those with substantial pension benefits. This is due in part to having many years of service. LEOFF II participants may need their deferred compensation income more, as they will likely have lower Social Security income.

The Committee noted the continuing negative cash-flow from the Plan and asked if Hyas Group can provide a refreshed version of the "Fees Matter" communication piece for near-retirees. Hyas Group will make updates as appropriate and bring the revised document to the next Committee meeting for review.

IX. Legislative and Regulatory Update

Greg led a discussion of the SECURE Act, and the aspects of it that the Plan will need to adopt or to consider adopting. ICMA-RC provided some guidance on their time-table for implementing mandatory provisions. Greg was asked to check with Nationwide for their implementation schedule and will provide this information to Kari and Jim in the coming weeks. Given that some provisions are still in the process of sorting through clarifying questions and direction, it was agreed that our committee should wait before making decisions and beginning any implementation.

X. Update: Potential Revisions to Plan Document and By-Laws

Committee members will work with Charles Lee regarding what information will be updated in the Plan Document. Additional discussion will be at the May 28th Committee Meeting.

The Committee plans to hold officer elections at the May 28th meeting.

Meeting adjourned at 3:22 pm.