

Deferred Compensation Quarterly Meeting
May 28, 2020
Virtual Meeting
1:00pm – 4:00 pm

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

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

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

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

The meeting came to order at 1:12 pm.

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

Kari Louie updated the Committee on the Deferred Compensation Budget as of April 2020. Revenues were less than anticipated and expenses were also below plan. Some key figures include:

Tacoma Administrative Account Balances (April 30, 2020):

- ICMA-RC \$218,140.36
- Nationwide \$26,536.49
- Total = \$244,676.85

Cash Balance Deferred Compensation Fund (April 2020 Closed) \$44,206.28

II-III. Hyas Group: First Quarter 2020 Plan Review: Nationwide & ICMA-RC Program

Greg Settle presented the First Quarter Performance Report. The plan experienced a temporary drop in assets due to reduction in investment values and negative cash flows. Both have since started to rebound.

Greg explained that there has been a drop in economic stability followed by rebounds in the market. Key factors include a high unemployment rate and a low interest rate environment.

IV. Hyas Group: First Quarter 2020 Combined Plan Investment Performance Review

Greg reported that several funds were found to be underperforming the standards of the Investment Policy Statement; The Hotchkis and Wiley High Yield Fund, the DFA Targeted Value Fund, and the Dodge and Cox International Fund. Vanguard no longer has a negative performance issue.

There was discussion on what to do next with Hotchkis and Wiley, as the fund has been on watch since third quarter last year. The firm had a significant position in the energy sector, which has been particularly impacted by the events of 2020, and discussions with the fund's managers revealed that the quality of their portfolio does not appear to be as bad as the valuations associated with it in this unique market. The Committee agreed to keep the fund on watch status.

Greg presented some information on the unique approach of DFA in managing the US Targeted Value 1 Fund and how the poor first quarter performance may have been related to the unusual type of market sell-off that occurred in 1Q20. After some discussion, a motion was made to put the Fund on watch.

1st motion: Jim Sant

2nd motion: Teresa Sedmak

The motion was approved.

The Committee also discussed the Dodge and Cox International Fund and how well it has rebounded from market disruptions in the past. Greg will bring additional information on the Fund's approach and recent experience to the next meeting for review.

V. Hyas Group: Continued Discussion of Fidelity Lower Cost Index Funds

Greg presented updated fee and performance comparison information for Fidelity and Vanguard Index funds. After some discussion, the Committee agreed to hold off on a move to Fidelity due to minimal savings, potential push back from participants, a big change during extreme market uncertainties, an ongoing loyalty to Vanguard's long-time respected reputation, and the potential that Fidelity might increase the fee structure after our plan moved assets. The Committee would like to see higher plan savings resulting in a higher return for participants, and agreed to re-visit after at least 6 more months.

VI. Nationwide Retirement Services: Service Delivery Report and Planning Discussion

Kris Morton presented information on fund balance, participant enrollment, and on-line activity. Currently, 76% of members are on track for retirement goals and they are working to improve this number. There was discussion and he reported that the trends were all positive. He discussed the sudden transition to telecommuting, phone and virtual meetings, and how they are looking forward to resuming face-to-face and on-site visits.

VII. Hyas Group: Legislative and Regulatory Update

Greg reviewed the optional features of the SECURE Act. The Committee voted unanimously to implement both features.

To adopt the Qualified Birth or Adoption Distribution feature:

1st motion: Kari Louie

2nd motion: Teresa Sedmak

The motion was approved

To adopt the Age 59 1/2 In-Service Distribution feature:

1st motion: Teresa Sedmak

2nd motion: Chris Bacha

The motion was approved

The Committee will amend the Plan Document to include the newly approved motions to implement the above features from the SECURE Act.

Communication on the new features will be distributed to employees after both providers are able to implement these changes.

VIII. Hyas Group: Presentation of Updated Participant Communication Piece

Greg presented the refreshed versions of the 'Fees Matter' communication for near-retirees. The Committee liked the new design and agreed to utilize them. They will be distributed to participants by the City and both Plan Vendors. Greg will email the PDF versions.

Meeting adjourned at 3:08 pm.