

Deferred Compensation
May 23, 2019
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
Alice Phillips, Business Manager, IBEW 483
Chris Bacha, City Attorney, Deputy
Gary Buchanan, Human Resources Director
Teresa Sedmak, City Treasurer

Committee Staff Present: Greg Settle, Hyas Group, Senior Consultant
Charles Lee, City Attorney, Deputy
Sam Benscoter, Management Analyst III
Cindy Johnson, Management Analyst II
Diane Peterson, Human Resources Specialist

Guests Present: Mike Ferguson, Sr. Retirement Specialist, Nationwide

The meeting began at 1:08 pm.

I. Review and approval of prior meeting minutes

The Committee reviewed the February 28, 2019 meeting minutes.

A motion to accept the February 28, 2019 meeting minutes as presented.

1st motion: Alice Phillips

2nd motion: Chris Bacha

The motion was approved

II. Review of Administrative Account and Plan Budget Update

The 2019-2020 current Deferred Compensation budget:	All Revenues:	(\$431,501.00)
	Operations Expenses:	\$431,501.00

As March 31, 2019 YTD:	All Revenues:	(\$7,656.00)
	Operations Expenses:	\$32,048.00

Administrative Account Balances as of March 31, 2019:	ICMA-RC:	\$121,171.01
	Nationwide:	\$12,895.80

Fund 6050 – Deferred Compensation Ending Cash Balance:	17,463.85
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Grand Total:	\$151,530.66
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III. Hyas Group: First Quarter 2019 Performance Review: ICMA-RC & Nationwide Programs

Greg Settle presented the First Quarter 2019 Performance Report. The Vanguard Mid Cap Growth Fund and the MFS Blended Research U.S. Core Equity Funds were found to underperforming the standards of the Investment Policy Statement. It was noted that the ICMA-RC report showed the Vanguard Fund as underperforming only in the “Qualitative Factor” column, whereas the Nationwide report showed underperformance in the “Performance Factor” column as well—an error we have noted and will correct in future reports.

The Vanguard Mid Cap Growth Fund had strong performance in the first quarter, following a solid 2019. Performance is now back within guidelines. However, due to the recent manager change the fund will remain on Watch.

Also discussed was the continued underperformance of the MFS Blended Research Core Equity Fund. Greg reported that the Hyas Group has concluded, after continued underperformance in market conditions that should have favored the fund's strategy, that they have lost confidence in the firm's model and are recommending replacement of the fund. Hyas Group will prepare a search for alternatives to present at the next meeting. Those alternatives will include:

- a. Replacing the fund with another active blend manager;
- b. Eliminating the "Large Cap Blend Actively Managed" asset class and consolidating to the "Large Cap Blend Passively Managed" asset class currently offered in the Plan; and
- c. Eliminating the "Large Cap Blend Actively Managed" asset class and replacing it with a large cap growth and a large cap value fund, both actively managed.

Funds to remain on watch: Vanguard Mid Cap Growth Fund
MFS Blended Research U.S. Core Equity Funds

Greg provided an update on the Fidelity Index Funds vs. the current Vanguard Funds. He reported that it does not appear likely that Vanguard will be reducing fees to match Fidelity's offering. Given the quality of Fidelity's fund management and the fee advantage they provide Hyas Group recommends moving to the Fidelity funds. The Committee decided to schedule a vote at the next meeting to potentially make this change. He will bring a sample communication to participants about such a change, and also provide any feedback that other plan sponsors have provided about participant reaction to replacing Vanguard as their index fund provider.

Via a proxy vote recommendation, Invesco Ltd. agreed to acquire OppenheimerFunds, Inc. The transition is expected to have no material impact on the investment management of the funds. Current investment professionals are expected to retain day-to-day management responsibilities under the same style and process used prior to the acquisition.

IV. Nationwide Service Delivery Report

Mike Ferguson, Sr. Retirement Specialist with Nationwide Retirement Solutions presented to the Committee Nationwide's current performance.

As of March 31, 2019 there is a total of 372 participants. This is an increase of 4.2% from one year ago. Of the 372 participants 243 are periodically reviewing their accounts online. Accessing your account online allows sophisticated systems to build a characteristic profile for authentication purposes to better protect assets.

V. Hyas Group: Investment Policy Statement Review

The Committee reviewed the Investment Policy Statement and approved the minor edits, primarily to names and dates, that Hyas Group recommended. Greg was asked to provide more clarity around Vanguard's use of "custom benchmarks" for their index funds and how those are represented in the IPS. He will bring this information to the next Committee meeting.

A motion was made to accept the amended changes to the Investment Policy Statement Review.

1st motion: Alice Phillips

2nd motion: Teresa Sedmak

The motion was approved

VI. Legislative and Regulatory Update

Legislation has been introduced that would raise the required minimum distribution age from 70-1/2 to 75.

Earlier this month Senators Rob Portman (R-OH) and Ben Cardin (D-MD) introduced retirement legislation that would raise the required minimum distribution age from 70.5 to 75. If passed, the Retirement Security & Savings Act (S-1431) would increase the RMD age from 70.5 to 72 in 2023 and then to age 75 by 2030. The purpose is to allow individuals choosing to work later in life to keep saving for retirement.

The 40th NAGDA Annual Conference will be held in New Orleans, Louisiana from September 8 – 11, 2019.

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

Diane Peterson informed the Committee that ICMA-RC now allows participants to pay off loans in full via ACH. The Benefits office will distribute communication regarding this new process.

Meeting adjourned at 2:45 pm.