

City of Seattle Voluntary Deferred Compensation Plan Regular Trust Committee Meeting Minutes

Wednesday, September 23, 2020 10:00 am – 12:00 pm
Virtual Meeting via Webex

TRUSTEES present: Teri Allen, Jeff Davis, Dennis Karl, Glen Lee, William Alves, Tania Torres, and Bobby Humes

STAFF present: Michelle Ell, Tony Dozier, and Malia Bonham; Gary Smith, City Attorney's Office

CONSULTANTS present: Jake O'Shaughnessy and Stuart Payment from SageView Advisory Group; Mike Monaco and Gavin Parr from Mondress Monaco Parr Lockwood (MMPL); Tim Rawal and Thomas Rey from CliftonLarsenAllen (CLA)

GUESTS present: Andee Gravitt, Kris Morton, Kent Morrison, Susan Wilson, and Olivia Anastasi, from Nationwide; Lauren Albanese, Financial Investment News; George Emerson, FAS

BUSINESS

Opening: Teri Allen, Committee Chair, started the meeting at 10:01am.

Introductions: Teri Allen welcomed attendees and asked for introductions.

Public Comment: There was no public comment.

Glen Lee joined at 10:04 am.

Minutes of May 27, 2020 Regular Meeting: Teri asked for a review of the meeting minutes.

MOTION: Jeff Davis moved to approve the minutes. The motion was seconded by Glen Lee and passed unanimously.

Administrative Update: Michelle Ell shared that the Participant Engagement survey would be completed sometime in late Q4 2020 or early Q1 2021. She stated that Plan Staff was working with Nationwide and the City IT department to review adding new tech features such as DocuSign and the Asset Aggregator to the participant website. Michelle noted some of the enhancements the Committee approved earlier in the year in response to the pandemic are expiring. This includes the enhanced Unforeseen Emergency Withdrawal (UEW) reasons and the Nationwide waiver of loan fees. She added that the CARES act changes remain in place until 12/31/2020. Michelle notified the Committee that with Scott Fuquay's departure a new member would be needed for the UEW review sub-committee. It was agreed that the full Committee would address an appointment for that position at the next meeting.

Tania Torres joined at 10:07 am.

2019 Audit Review: Thomas Rey from CliftonLarsenAllen reviewed the plan's financial statements as of December 31, 2018 and 2019, discussed the audit findings, and stated that the auditors were presenting a clean, unmodified audit opinion with no noted exceptions or significant management concerns.

Nationwide Q2 2020 Update: Andee Gravitt reviewed Nationwide's Q2 2020 report for the Committee. She stated that contributions were down in Q2, but that this is likely a result of the fact that Q1 included an extra paycheck and approximately \$4,000,000 in retroactive contributions. She noted there was a significant decrease in withdrawals for Q2 and that approximately \$2,280,000 of the withdrawals were CARES Act related (including a total of 54 CARES Act withdrawals) which is much less proportionally than she has seen for other plans.

Investment Advisor Contract Extension: Michelle stated that she expected the RFP for the Investment Advisor will be completed by mid-October, with the plan being for the winning bidder for the Investment Advisor contract to be selected at the November Committee meeting. She requested that the Committee temporarily extend the existing Sageview contract until that RFP is complete and the new contract for investment advisory services is in place. The Committee discussed the possibility that unforeseen circumstances might interfere with the selection process, and potential methods to ensure that an investment advisor is in place continuously regardless of the timing of the selection. Jake O'Shaughnessy stated that SageView would be willing to extend its contract on a month-by-month basis at its current fee (prorated to a monthly amount), with a 30-day termination clause, to allow the Committee additional time if needed to complete the selection process. Mike Monaco discussed the Committee's ability to enter such a contract extension, subject to termination at any time but without a fixed end date.

MOTION: Bill Alves moved for the Committee to approve a month-by-month extension of the existing SageView contract, with a 30-day termination clause, and fees payable at the same rate as under the current contract but on a prorated monthly basis. The motion was seconded by Glen Lee and passed unanimously.

Bobby Humes joined at 11:09 am.

Market Overview and Executive Summary: Jake O'Shaughnessy presented the Q2 2020 market overview stating that while the second quarter of 2020 saw equity markets recover much of their losses from Q1, overall GDP fears in the U.S. didn't entirely disappear after the COVID-19 induced economic slowdown. Jake notified the Committee that the Hotchkis & Wiley Small Cap Value I fund continues to underperform. The Committee discussed placing that fund on watch status pursuant to the terms of the plan's investment policy and asked Jake to have SageView review and present potential replacements for consideration at the next Committee meeting. Jake informed the Committee that the Galliard Stable Value fund has been in the put queue for a year and that therefore the Committee could now replace the fund at full book value. However, he stated that SageView also has reviewed the Galliard Fund and found that it continues to perform well – particularly the competitive participant crediting rate and strong market-to-book value position of the fund. Jake stated that the Committee could continue to monitor the fund at this time, adding that he could arrange for the Committee to hear from the

Galliard Stable Value portfolio management team directly before potentially taking any further action on this fund. Following discussion, Jake stated that he can reach out to Galliard to inquire about extending the put notice for an additional one year period while the Committee continues to monitor the fund.

MOTION: Jeff Davis moved to put the Hotchkis & Wiley Small Cap Value I fund on watch. This motion was seconded by Glen Lee and passed unanimously.

MOTION: Glen Lee moved that the put queue for the Galliard Stable Value be extended for one year. Bobby Humes seconded this motion and it passed unanimously.

Nationwide Fees: Jake then discussed the provision of the Nationwide contract providing that, each year, the Committee can modify the manner in which fees are paid to Nationwide (the options being per head, pro-rata, flat dollar, or a hybrid). Jake presented the SageView analysis of Nationwide's 2021 potential fee scenarios, noting that the flat dollar fee methodology appears to continue to be the least expensive for the Plan. Bill asked whether staff reductions at the City have a bearing on the per head fee, and allow the Plan to pay a lower amount of fees overall. Jake stated that because the per head fee is based upon number of enrollees in the Plan, not only the number of employees at the City enrolled in the Plan, changes in City employee levels would not be likely to have a significant impact on the per-head fees charged and therefore that possibility does not change SageView's analysis.

MOTION: Jeff Davis moved that the Nationwide fees remain as is (total dollar) for 2021. The motion was seconded by Bobby Humes and passed unanimously.

Adjournment: Bobby Humes moved to adjourn the meeting at 11:59 am provided there were no objections and the motion was seconded by Jeff Davis. Hearing none the meeting was adjourned without objection.

Next Meeting: The next regular meeting is scheduled for Wednesday, November 18, 2020, at 10:00 am via Webex.