

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

Wednesday, January 23, 2019 10:00 am – 12:00 pm  
Seattle Municipal Tower, Room 4080

**TRUSTEES present:** Teri Allen, Jeff Davis, Dennis Karl, Glen Lee, William Alves, and Scott Fuquay

**STAFF present:** Michelle Ell, Tony Dozier, Malia Bonham from SDHR; Jeff Slayton CAO

**CONSULTANTS present:** Jake O’Shaughnessy and Stuart Payment, SageView Advisory Group; Michael Monaco & Gavin Parr, Mondress Monaco Parr Lockwood

**GUESTS present:** Kent Morris, Kristopher Morton, Andee Gravitt (via phone), Susan Wilson, and Olivia Anastasi from Nationwide; George Emerson, FAS

### BUSINESS

**Opening:** Teri Allen, the Committee Chair, started the meeting at 10:05 a.m.

**Introductions:** Teri Allen welcomed Dennis Karl as a new Trust Committee member who was appointed by the Coalition of City Unions. Brian Smith resigned from the Committee.

**Public Comment:** There was no public comment

**Minutes of November 28, 2018 Regular Meeting:** Teri asked for a review of the meeting minutes.

**MOTION:** Scott Fuquay moved to approve the minutes as written. Motion was seconded by Glen Lee and passed unanimously.

**Nationwide Q4 2018 Update:** Kris Morton shared an abridged fourth quarter report with the Committee. He noted there was a net growth of 114 participants this quarter and the Plan continues to see good trends with less rollover outs and distributions from third quarter.

**Market Update and Executive Summary:** Jake O’Shaughnessy provided an overview of general market conditions and the Plan’s investment line-up, noting that the full performance report for the 4<sup>th</sup> Quarter would be presented at the March meeting. He next provided an update on the performance of Calvert Equity Portfolio Class I Fund. He noted this fund performed well in the 4<sup>th</sup> Quarter and that its ranking is now above median across all time periods for the quarter ending 12/31/18. However, the Committee may want to review the benchmark moving forward. He recommended that the fund remain on watch status.

Jake noted two other funds that should be reviewed and discussed more at the March meeting. The Sterling Capital Mid Value I Fund had a -19.07% return for the 4<sup>th</sup> Quarter and was below median across all time periods for the quarter ending 12/31/18. The Diversified Real Asset

Institutional fund showed negative performance and was underperforming against its benchmark. Jake recommended no action on either at this time but stated that he would provide further review and discussion at the March meeting.

**Specified Assets:** Jake facilitated a discussion on how SageView can best support the Committee as it relates to Specified Assets. He also provided an overview of potential Specified Asset fund types the Committee might wish to consider and how Calvert may be a candidate for the Specified Assets window.

Bill asked where Calvert might fit within the Specified Asset fund types listed in SageView's discussion materials. Jake described Calvert as a generalized socially responsible investment (SRI) but noted that he would need to review and prepare for discussion at the next meeting a more thorough description of Calvert's SRI themes/values and what type of Specified Asset category it would best fit in. Jake noted that once one or more Specified Assets categories are defined, the Committee could potentially have Calvert placed in a Specified Asset category as a "traditional" or "general" SRI fund. Bill asked for examples of "traditional" or "generalized" SRI funds and to also see some similar SRI funds in order to establish whether it would be prudent to create a "generalized" or "traditional" SRI fund category.

Scott asked if there were any potential liability concerns in moving the Calvert fund to a Specified Asset category. Mike Monaco advised that for the reasons explained previously there should not be liability concerns in classifying Calvert as a Specified Asset option, or in offering Specified Assets as investment options generally, but explained that it would be important to properly notify participants of the Specified Asset funds via communication pieces and additional disclosures.

Bill asked Jake to research more detail regarding the certain 'SRI' screens utilized by Calvert within their fund and to also bring back more information on a Green Bond fund to the Committee in March.

**Nationwide Fee Structure:** Jake presented information to the Committee regarding the four different fee structure options for payment to Nationwide (pro-rata rate of 5.1 basis points on assets, \$57 per enrolled participant, a hybrid of the per head/pro-rata fee, and a flat total dollar charge of \$567,000). He stated that per the current contract, the Committee can decide to change the fee structure annually but must give Nationwide written notice at least sixty days prior to the end of the calendar year for a change to be effective for the following year.

Jake reviewed estimated costs associated with each of the four pricing scenarios. He explained that the pro-rata method currently is estimated to be costlier at approximately \$597,000 versus the per head method which is estimated to cost about \$564,000. However, under the pro-rata method, Nationwide takes on the risk of the market so this could go up or down. He stated that a market correction which caused plan assets to fall by 5% or more could result in the per head fee arrangement being more expensive than the pro-rata charge of 5.1 basis points.

Jake provided an overview of some of the reasons the Committee selected the pro-rata method initially, including the Committee's judgment that this method distributed the cost most

equitably across the plan. Jake advised that the Committee could review updated cost comparisons in late summer/early fall and be prepared to potentially make a change with enough time to meet the 60-day notice requirement to Nationwide for the change to be effective for the following year.

It was decided that the Committee would review the Nationwide fee structure options each September and make an annual decision on whether to make a change for the following year.

**Unforeseeable Emergency Withdrawal Subcommittee:** Michelle requested that the Committee designate a new member to this subcommittee to replace Brian Smith. She also requested that the Committee designate an alternate on the subcommittee to fill in as needed.

**MOTION:** Dennis Karl volunteered and moved to be a member of the UEW subcommittee. Teri Allen seconded the motion. The motion passed with five votes in favor and Dennis Karl abstained.

**MOTION:** Jeff Davis volunteered and moved to be the alternate member of the UEW subcommittee. Teri Allen seconded the motion. The motion passed with five votes in favor and Jeff Davis abstained.

**Administrative Update:** Michelle Ell shared with the Committee the 2019 Plan outreach areas for Plan Staff. She explained that Plan Staff will focus on the following: (1) informing separated employees of their plan options, (2) informing current active participants of the benefit of increasing plan contributions, and (3) informing active non-participants about the benefits of the plan and that it's an employee benefit available to them.

**Executive Session:** The Committee met for Executive Session to receive advice on a potential litigation matter and to review options for publicly bid contracts, beginning at 11:29 am and ending at 11:58 am.

**MOTION:** Teri Allen moved to authorize Plan legal counsel, City legal counsel, and herself (Teri Allen) to negotiate the contract with the successful audit RFP winning bidder. Once the Plan's legal counsel has reviewed and approved the contract language, she (Teri Allen) will have the authority to execute the contract on behalf of the Committee. Dennis Karl seconded the motion. The motion passed with five votes in favor and Teri Allen abstained.

**Adjournment:** Teri moved to adjourn the meeting at 12:01 pm. Scott Fuquay seconded, and the meeting was adjourned without objection.

**Next Meeting:** The next regular meeting is scheduled for Wednesday, March 27, 2019 at 10:00am in the Seattle Municipal Tower, Conference Room 4080.