

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

Wednesday, September 25, 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 Bobby Humes

STAFF present: Michelle Ell, Tony Dozier, Malia Bonham; Gary Smith - CAO

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

GUESTS present: Andee Gravitt, Kris Morton, Susan Wilson, and Olivia Anastasi (Nationwide)

BUSINESS

Opening: Teri Allen, Committee Chair, started the meeting at 10:04am.

Introductions: Teri Allen welcomed attendees and asked for introductions.

Public Comment: There was no public comment.

Bobby Humes arrived at 10:06 am.

Minutes of July 24, 2019 Regular Meeting: Teri asked for a review of the meeting minutes.

MOTION: Dennis Karl moved to approve the minutes. Motion was seconded by Jeff Davis and passed unanimously.

Amendment to Nationwide Administrative Services Agreement: Mike Monaco presented an amendment to the Administrative Services Agreement (ASA) with Nationwide. He explained that the amendment modifies the ASA to formalize employee confidentiality data protections that are operationally already in place with Nationwide. He noted that the ASA amendment has been reviewed by Nationwide and is ready to be signed if approved.

MOTION: Glen Lee moved to approve the amendment to the Administrative Services Agreement with Nationwide. Motion was seconded by Dennis Karl and passed unanimously.

Nationwide 2020 Fees: Jake O'Shaughnessy presented estimates of future recordkeeping fees under the four alternative plan-level recordkeeping fee calculation methods provided under the ASA with Nationwide. He explained how fees were determined under each of the methods and advised that the Total Dollar fee method was projected to be lower cost over both a one-year and three-year time horizon under the different scenarios than any of the other methods, including the

pro-rata asset-based fee method currently being used. Jake discussed the possible risk of a market decline, and how that would correlate to a decrease in fees under the pro rata method, but noted that there was enough cushion that the Total Dollar fee method would remain lower even in most market decline scenarios. Andee Gravitt from Nationwide confirmed that the Committee has the flexibility under the ASA to change the fee model every year. Based on SageView's analysis, Jake recommended that the Committee elect to change to the Total Dollar fee method (a flat \$567,000 fee) for 2020.

MOTION: Jeff Davis moved to change Nationwide's compensation method to be a total dollar amount of \$567,600 beginning January 1, 2020. Motion was seconded by Bill Alves and passed unanimously.

CliftonLarsonAllen 2018 Audit Results: Thomas Rey presented CliftonLarsonAllen's draft audit of the Plan's 2018 financial statements, noting an unmodified opinion (i.e., a "clean audit") of the Plan's financial statements was being provided. He reviewed the draft audit with the Committee and answered questions. Jeff Davis asked about the timing of next year's audit, to which Thomas responded that it will start next spring in order to be completed and presented earlier.

CliftonLarsonAllen Review of Plan Security and Controls: CliftonLarsonAllen (CLA) was also engaged to perform a Best Practice review of the Standard Operating Controls (SOC) report from Nationwide. Thomas discussed with the Committee the Observations and Recommendations section of the report. Michelle Ell added that this report is a piece of the Data Security project that will be presented in greater detail at the December meeting. Bobby Humes asked if there was any priority to the recommendations. Thomas responded they were listed in order of importance, but nothing was critical, just best practice. Bill Alves asked if implementation of the recommendations would require contract amendments or if they can be addressed informally. Thomas responded that he anticipates they could be addressed informally. Michelle added she expects to fold these recommendations into the Plan's annual internal audit process.

Nationwide Q2 2019 Update: Andee Gravitt reviewed Nationwide's Q2 report with the Committee. She noted the difference in contributions between Q1 and Q2 is due to the SPOG retroactive payment. Susan Wilson shared that the EZ Enrollment form is being used by 51% of new enrollees.

Market Overview and Executive Summary: Jake presented SageView's Q2 2019 general economic and market overview, discussing major headlines from the quarter and current economic trends and providing a capital markets overview. He shared estimates of earnings growth for US corporations are slowing compared to recent years. Jake also provided an update on retirement plan trends and legislative and regulatory activity, noting that auto enrollment and auto escalation features were continuing to become more prevalent in corporate (ERISA) retirement plans. Mike and Gavin added that state law impacts the ability of governmental plans to provide for auto enrollment, and that currently Washington State law only allows automatic enrollment for the Department of Retirement Systems' Deferred Compensation Plan, at least with respect to non-bargained employees. Jake next provided an update on the performance of

the Plan as a whole and the Plan's individual investment funds. He noted that the Sterling fund termination and replacement approved at the May meeting would be occurring in about two weeks. Jake advised that Sageview recommended no other fund line-up changes at this time. As noted in the August meeting, Sageview does recommend providing Galliard with a 12-month put notice, which can be rescinded, in order to provide the Committee with future flexibility.

Executive Session: The Committee met for Executive Session to receive advice on a potential litigation matter beginning at 11:26 am and ending at 11:42 am.

MOTION: Bobby Humes moved that the Plan provide notice to Galliard to enter the Galliard Stable Value put queue. Motion was seconded by Jeff Davis and passed unanimously.

MOTION: Jeff Davis moved that Galliard Stable Value contract as presented be signed. Motion was seconded by Bill Alves and passed unanimously.

Adjournment: Jeff Davis moved to adjourn the meeting at 11:45 am provided there were no objections. Hearing none the meeting was adjourned without objection.

Next Meeting: The next regular meeting is scheduled for Wednesday, December 4, 2019, at 10:00 am in the Seattle Municipal Tower, Conference Room 4080.