

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

Wednesday, December 4, 2019 10:00 am – 12:00 pm
Seattle Municipal Tower, Room 4080

TRUSTEES present: Teri Allen, Jeff Davis, Dennis Karl, Glen Lee, William Alves (via phone), Scott Fuquay (via phone) 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); Janet Rubenstein and Sarah Gorman, Mercer

GUESTS present: Andee Gravitt, Ryan Sawyer, Susan Wilson, and Olivia Anastasi from Nationwide; George Emerson, FAS

BUSINESS

Opening: Teri Allen, Committee Chair, started the meeting at 10:02am.

Introductions: Teri Allen welcomed attendees and asked for introductions.

Public Comment: Michelle Ell read public comment from two firefighters who submitted the same request. They would like the Committee to allow members to hire professional investment advisors to manage their PCRA assets and allow these professional advisors to charge their fees directly to the managed PCRA's.

Minutes of September 25, 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.

Nationwide Q3 2019 Update: Andee Gravitt reviewed Nationwide's Q3 report with the Committee. She noted contributions and enrollments were up this quarter and distributions were down. She added online account setups have increased slightly and the growth of Roth source is trending positively.

Market Overview and Executive Summary: Jake presented SageView's Q3 2019 general economic and capital markets overview. He shared that business spending is subdued due to trade uncertainty but that overall economic prospects are still looking good domestically. He noted economic growth differences between the US and other global regions is diminishing and that the overall global markets appear stable at this time.

Jake mentioned the Plan entered the Galliard Stable Value Fund Put Queue on October 9, 2019, and that SageView will provide an update on the Galliard Fund for the Committee during the first half of 2020. 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 individual managers' expense ratios, and the plan's overall expense ratio, were low and compared very favorably to peers. Jake advised that the Sterling Mid Cap Value fund termination and replacement by the American Century Mid Cap Value Fund was completed on October 16, 2019. He also noted that the Hotchkins & Wiley Small Cap Value fund has experienced some underperformance in relation to peers, which SageView is monitoring. There is no recommendation to put this fund on watch at this time. Jake recommended no fund line-up changes or placements of funds on watch.

Plan Staff Update: Michelle Ell stated that a beneficiary designation mailing to 3000 participants went out during the summer and 130 participants returned completed beneficiary designation forms. She shared that the City took out a Cyber Security insurance policy this year. Michelle covered the instances in which this policy would be invoked and that it did not cover crimes in which money is stolen. Teri Allen added that pre-existing conditions will be covered under this policy. Michelle noted the Plan document will need to be restated and updated. Plan Staff will be working with MMPL to complete this in 2020.

Data Privacy and Security Survey Results: Janet Rubenstein and Sarah Gorman from Mercer presented and reviewed Mercer's Data Privacy and Security Survey for the Plan. The topics discussed included recent lawsuits regarding cross selling from vendors, which they noted is a current hot topic in the industry. Mercer noted that the Plan has good contractual protections on this issue in its agreement with Nationwide and recommends that the Plan continue to monitor and ensure vendor compliance on this issue. Mercer noted that Nationwide is one of two surveyed recordkeepers that lets the Plan dictate the amount of communications sent out to employees. Mercer also reported on the employee data exchange with Nationwide for plan administration purposes in relation to industry standards and best practices, noting that Nationwide compared favorably to peers in relation to having the fewest number of required data elements. Bobby Humes noted that he would work with Plan Staff and Labor Relations to wrap up this issue with the Coalition of City Unions.

2020 Fee Methodology: Jake reviewed with the Committee various fee allocation methods utilized by plans, including per head, pro rata, and a hybrid model, discussing how each model would impact plan participants and be projected to provide enough funding for Plan expenses. He added that Nationwide has the capability to not assess fees above a certain dollar amount but could not currently prevent fees from being assessed on balances below certain thresholds. The Committee will discuss this issue further at the January meeting to determine if it wishes to make a change to the current fee allocation method used.

Adjournment: Bobby Humes moved to adjourn the meeting at 11:35 am provided there were no objections and was seconded by Jeff Davis. Hearing none the meeting was adjourned without objection.

Next Meeting: The next regular meeting is scheduled for Wednesday, January 22, 2020, at 10:00 am in the Seattle Municipal Tower, Conference Room 4080.

FINAL