

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

Wednesday, March 24, 2021 10:00 am – 12:00 pm
Virtual Meeting via Webex

TRUSTEES present: Teri Allen, Jeff Davis, Rick Sheridan, Tania Torres, Glen Lee (arrived at 10:08am) and Bobby Humes

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

CONSULTANTS present: Ted Grigsby from Hyas Group; Mike Monaco and Gavin Parr from Mondress Monaco Parr Lockwood (MMPL)

GUESTS present: Andee Gravitt, Kris Morton, Kent Morrison, Susan Wilson, and Olivia Anastasi, from Nationwide; Lauren Albanese, Tim Morrison, FAS and two public guests.

BUSINESS

Opening: Teri Allen, Committee Chair, started the meeting at 10:00am.

Introductions: Teri Allen welcomed attendees and asked for introductions.

Public Comment: Michelle Ell noted there was one public comment from Lynn Best. Lynn requested that the Committee allow In-Plan Roth conversions.

Minutes of January 27 Regular Meeting: Teri asked for a review of the meeting minutes.

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

Administrative Update: Michelle Ell introduced Rick Sheridan as the new Member at Large on the Committee. Michelle shared that Teri Allen's three-year term as Chair has ended and a secretary is needed for the Committee as well.

MOTION: Bobby Humes nominated Teri Allen to extend her term as Chair for an additional three years, to which she said she would be willing to continue. The motion was seconded by Jeff Davis and passed unanimously.

Glen Lee arrived at 10:08am.

MOTION: Bobby Humes moved for Jeff Davis to be Secretary of the Committee for a three year term. The motion was seconded by Teri Allen and passed unanimously.

Michelle notified the Committee that the Vanguard Target Retirement 2065 fund will be added to the Plan in May, per the Committee's decision at the January meeting. She explained that the balances and investment elections for participants who qualify for the 2065 fund based on their age but were defaulted into the 2060 fund because of the unavailability of the 2065 fund at the time, will be remapped to the 2065 fund when it is added unless an affirmative investment election is made, which is consistent with the recommendation of Hyas.

Nationwide Q4 2020 Update: Andee Gravitt reviewed Nationwide's Q4 2020 report for the Committee. Throughout the quarter, the Plan assets increased by 11.02% to end the quarter at \$1.62 billion. Andee noted an increase in online accounts, usage of the MIRP tool, and that Roth continues to be a popular option in the Plan. Andee discussed Service Level Agreement (SLA) failures of the Call Center and timely distribution processing which resulted in \$1,000 of penalties for the quarter. Calls were answered within the required 20 seconds timing at 58.6% vs. the 80% guarantee. She explained that Call Center volumes were higher than normal and required more action to resolve. Nationwide has added a "call back queue" which will allow participants to request a callback. Also, 24 withdrawals were processed later than the three days outlined in the SLA, which she explained was attributable to greater-than-normal volume of distribution requests due to the CARES Act distribution provision expiring at the end of December.

Market Overview and Executive Summary: Ted Grigsby from the Hyas Group presented the Fourth Quarter Investment Consultant Report. In discussing the various category benchmarks used to measure relative fund performance, the Committee discussed the use of the MSCI USA ESG Leaders Index ("ESG Index") in addition to the Russell 1000 Growth Index to measure relative performance for the Plan's specified asset, Calvert Equity R6 ("Calvert Equity"). Jeff Davis requested that Hyas Group include the +/- performance results of Calvert Equity against the ESG Index along with peer ranking amongst ESG Large Cap US Funds.

The Committee discussed the change of ownership in the current Stable Value offering due to Wells Fargo Asset Management announcing that in the second half of 2021 it would be selling 90% of Wells Fargo Asset Management (WFAM). Hyas Group formally recommended that the Stable Value fund be placed on watch and that a put notice should be submitted.

MOTION: Jeff Davis moved to place Galliard Stable Value Fund on watch and for the Plan to submit a put notice to Galliard as soon as administratively feasible. The motion was seconded by Teri Allen. There were 5 votes in favor. Rick Sheridan abstained.

2021 Plan Expenses: The Committee discussed the administrative fee charged to participants (currently 12 bps annually) and implementing a potential per participant cap on fees. Ted presented analysis and a stress test scenario, which considered a 15% decrease in Plan assets. Additionally, the Committee expressed interest in considering a fee cap arrangement in a future meeting. Nationwide will work with the City to implement any fee change.

MOTION: Glen Lee moved to reduce Plan fees from 12 bps to 9 bps with no cap as soon as administratively feasible. The motion was seconded by Jeff Davis and passed unanimously.

Legal Update: Mike Monaco shared that Plan staff had requested legal advice concerning whether adding in-plan Roth conversions to the plan would be permitted and confirmed that such an amendment would be permissible. Teri asked if there should be dollar thresholds for conversion. Gavin Parr suggested that in terms of the specific design of the amendment – for example, any minimum or maximum dollar limits and/or frequency limits – Nationwide should be consulted with regarding best practices and any system limitations. Andee confirmed that thresholds are not normally used and that Roth conversions have been widely implemented across other plans serviced by Nationwide. The Committee requested that In-Plan Roth conversions be added to the May meeting agenda and that legal counsel prepare a potential plan amendment regarding In-Plan Roth conversions for consideration.

Adjournment: Teri Allen moved to adjourn the meeting provided there were no objections. Hearing no objections, the meeting was adjourned at 11:53 a.m.

Next Meeting: The next regular meeting is scheduled for Wednesday, May 26, 2021, at 10:00 am via Webex.



Jeffrey S. Davis
Secretary, Deferred Compensation Plan Committee

06/01/2021