

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

Wednesday, November 30, 2022 10:00 am – 12:00 pm  
Hybrid Meeting

**TRUSTEES present:** Jamie Carnell, Jeff Davis, Jessica Jaeger, Dennis Karl, Kimberly Loving, Rick Sheridan, and Tania Torres

**STAFF present:** Michelle Ell, Tony Dozier, and Malia Bonham (Plan Staff), & Gary Smith (City Attorney's Office)

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

**GUESTS present:** Andee Gravitt, Jim Keeler, Kent Morris, Kris Morton, Chris Worthington, Frank McCafferty, Susan Wilson, Olivia Anastasi, Wendy Shaw, Dawn Browning, & Todd Lukens, from Nationwide; Lauren Albanese, Financial News

### BUSINESS

**Opening:** Rick Sheridan, Committee Chair, started the meeting at 10:02 am.

**Introductions:** Rick Sheridan welcomed attendees and asked for introductions.

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

**Minutes of September 28 Regular Meeting:** Rick asked for a review of the meeting minutes.

**MOTION:** Jamie Carnell moved to approve the minutes. The motion was seconded by Jessica Jaeger and passed unanimously.

**Nationwide Q3 2022 Review:** Andee Gravitt introduced Jim Keeler as her Executive Relationship Manager (ERM) replacement. Jim covered the Nationwide review and discussed plan metrics along with participant engagement and performance standards. The third quarter ended with a balance of \$1.45 billion, a decrease of approximately 6.47% from the previous quarter. The number of participant accounts increased by 70 to 10,861. Jim pointed out that as of quarter end, 249 total participants with a combined \$31.7 million in assets are using ProAccount, Nationwide's managed account service. Susan Wilson covered education and mentioned that there has been strong engagement and a total of 958 deferral changes for the quarter. Jim talked about Service Level Agreement failures in Q3 around phone call service levels; and noted that Nationwide is ramping up call center hiring and training, and moving back to a more in-office/hybrid work arrangement for employees. This should help alleviate this issue and assist in meeting this service level commitment to the City going forward.

**Plan Satisfaction Survey Results:** Frank McCafferty presented the Plan satisfaction survey results. The survey was responded to by 632 individuals that broadly represented City groups, departments, and staff. The survey sought to measure overall satisfaction and participant awareness. Overall satisfaction

was measured at 3.7 on a scale from 1 to 5, with 5 being the best. This is a slight decline from the satisfaction level measured in the 2021 survey of 3.8 but remains high relative to past performance. A decrease in sentiment compared to the previous survey was a common theme across the survey. A potential factor for depressed numbers could be the impact of a negative market on participant perception, which may have affected responses. Overall, participant responses indicated that they have a general awareness of the plan and the resources available. Among the responses indicating dissatisfaction, difficulty in making account changes was the listed reason that had the greatest increase compared to 2021. Michelle added that because of this survey Hyas will be hosting an investment seminar in Q1.

**Plan Staff Update:** Michelle shared the tentative schedule for meetings in 2023 which will be on the fourth Wednesday of every other month, except November, which will be on the fifth Wednesday. Michelle asked if the committee wanted to continue hybrid meetings or move to in-person meetings. The Committee decided to continue conducting hybrid meetings for the time being. Michelle discussed the 2023 vendor and consultant contracts. The Auditor contract will expire at the end of 2023 and the City is not able to extend and will need to conduct an RFP. The Hyas Contract will expire in February of 2024 and the Committee will need to determine whether to issue an RFP or extend their contract. Nationwide's contract will expire at the end of 2024 and the Committee will need to issue an RFP for recordkeeper services. A sub-committee will need to be created and the RFP will likely take between 12-18 months. Michelle noted the Committee will need to consider extending the Hyas contract so they are able to assist with the recordkeeping RFP.

**Hyas Q2 2022 Investments Review:** Jayson Davidson discussed current market conditions and performance for the bond and equity markets. Markets appear to be in a similar place to where they were a few months ago when investors experienced a "Bear Market Rally". The recent rally may not be sustainable. An expected decline in corporate earnings as we round out the year and move into the first quarter of next is not priced into stocks broadly, and Hyas believes markets will compress further before the current bear market concludes. While the fixed income markets remain under pressure as the Federal Reserve continues its hawkish stance in an attempt to control inflation levels, there has been some relief as recent inflation numbers were better than expected and the Fed seems to have recognized as such.

Ted Grigsby reviewed the plan asset allocation, investment performance relative to policy standards, and plan fees. Ted shared that although the Vanguard US Growth fund is no longer in violation of policy criteria, it will remain on watch. He also mentioned the American Funds EuroPacific Growth fund has shown improvement over the last two quarters, but still violates performance criteria and will remain on watch. Ted shared a status update on the American Century Mid Cap Value fund and recommended the committee remove it from watch status as it has shown improvement and has not violated policy criteria for the previous three quarters. Additionally, it was recommended to place the PIMCO Total Return fund on watch due to performance and qualitative factors. The fund underperformed its benchmark and peer group over the previous five years and recently had an abrupt departure of one of the portfolio co-managers. Ted mentioned that the change to the lower cost share class for the Dodge & Cox funds will occur in mid-December and will be reflected in the Q4 report. Additionally, Ted pointed out that the Vanguard 2070 fund was now reflected in the performance reports.

**MOTION:** Jeff Davis moved to place the PIMCO Total Return fund on watch and remove the American Century Mid Cap Value fund from watch as per Hyas' recommendation. The motion was seconded by Rick Sheridan and passed unanimously.

**Legal Updates:** Mike and Gavin discussed the CARES Act and SECURE Act amendments for the Plan, noting that the deadline to update/amend plan documents for these laws was pushed out an additional year by the IRS. The City will likely not need the extension, however, they are in the process of working with Plan Staff on updating the Plan document, and that update will include the necessary amendments.

**Executive Session:** The Committee entered Executive Session at 11:25 am to discuss litigation or legal risks as it relates to data security practices. Executive Session concluded at 11:55am.

**Adjournment:** Rick Sheridan moved to adjourn the meeting. Hearing no objections, the meeting was adjourned at 11:55am.

**Next Meeting:** The next regular meeting is scheduled for Wednesday, January 25, at 10:00 am PT. The meeting will be hybrid via WebEx and a TBD location in Seattle Municipal Tower.



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Jeffrey S. Davis  
Secretary, Deferred Compensation Plan Committee

02/09/2023