

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

Thursday, December 2, 2021 10:00 am – 12:00 pm
Virtual Meeting via Webex

TRUSTEES present: Teri Allen, Jeff Davis, Rick Sheridan, Glen Lee, Kimberly Loving, and Dennis Karl

STAFF present: Michelle Ell & Malia Bonham (Plan Staff), and Gary Smith (CAO)

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

GUESTS present: Andee Gravitt, Kris Morton, Kent Morris, Chris Worthington, Frank McCafferty, Susan Wilson, & Olivia Anastasi, from Nationwide

BUSINESS

Opening: Teri Allen, Committee Chair, started the meeting at 10:01 am.

Introductions: Teri Allen welcomed attendees and asked for introductions.

Public Comment: There was no public comment.

Minutes of September 22 Regular Meeting: Teri asked for a review of the meeting minutes.

MOTION: Dennis Karl moved to approve the minutes. The motion was seconded by Rick Sheridan and passed unanimously.

Nationwide Q3 2021 Update: Andee Gravitt provided Nationwide's Q3 2021 Review for the Committee. Andee noted Nationwide was working on online improvements to the My Interactive Retirement Planner (MIRP) tool which allows participants to see their customized rate of return and a comparison against peers. The improvements will be live in December.

Participation Satisfaction Survey Results: Frank McCafferty from Nationwide presented the results from the Participant Satisfaction Survey. This survey was conducted in 2019 but was not conducted in 2020, due to limitations imposed by Covid-19. Participation in the recent survey increased from 884 responses which was up from 554 responses in 2019. Additionally, the response to Nationwide was much more favorable than the response in 2019.

Market Overview and Executive Summary: Jayson Davidson provided an update on economic and financial market themes that occurred throughout Q3. Jayson highlighted the growth rate of inflation and potential market impacts. Additionally, he pointed out several improving economic indicators, such as GDP, unemployment, and corporate profits.

Ted Grigsby reviewed the Plan performance, allocation, cash flows and compliance report. Ted noted there were five investment options flagged in the compliance report. Four of the five have been addressed in previous meetings and will remain on watch (Galliard Stable Value) or will be removed and replaced on December 16, 2021 (American Funds Growth Fund of America, Fidelity Contrafund, and Principal Diversified Real Asset). The remaining fund in violation of the IPS criteria was the American Century Mid Cap Value fund (AMDVX), which underperformed its relative peer group and benchmark over the previous five years, (59th percentile, -0.80%). Ted discussed the manager change that occurred within the American Funds Euro Pacific Growth fund and discussed the likely minimal impact due to the management-by-committee approach taken by the firm. Ted mentioned the newly available Vanguard Target Retirement Income offering that may be considered by the Committee to add to the plan. Hyas Group will discuss this offering in more detail during future Committee meetings.

MOTION: Dennis Karl moved to place the American Century Mid Cap Value fund (AMDVX) on watch. The motion was seconded by Jeff Davis and passed unanimously.

Legal Update: Mike Monaco informed the Committee that a plan participant now holds another ETF within the self-directed brokerage window since the DFA investment firm converted another mutual fund into an ETF. Mike noted it is counter to the City's policy to allow investments in non-mutual fund offerings in the self-directed brokerage window. Gavin Parr and Mike Monaco discussed the potential course of action the Committee may take in this scenario. Additionally, they pointed out that the investment policy provides flexibility for the plan to maintain the offering in this scenario.

MOTION: Jeff Davis moved to allow participants to maintain ETF holdings if impacted by a mutual fund conversion. Mutual funds converted to ETF holdings will have sell only status. Also, no additional dollars can be added to expand ETF positions. The motion was seconded by Kimberly Loving and passed unanimously.

Executive Session: The Committee entered an Executive Session to review negotiations on the performance of a publicly bid contract beginning at 11:20am and ending by 11:28am. The Executive Session ended, and the Committee returned to open session.

Plan Staff Updates: Michelle Ell informed the Committee she will be sending out the schedule for 2022 meetings, noting it will again be the fourth Wednesday of every other month. She noted meetings will be via WebEx unless there is a return to office decision, in which case she will book a room at SMT. Michelle shared the Plan auditor contract with CLA (CliftonLarsonAllen) was now due and the Committee needed to decide whether to hold an RFP or extend the contract.

MOTION: Glen Lee moved to extend the audit contract with CLA for an additional one-year term to 12/31/22 to cover audit services for the year ending 12/31/21. The motion was seconded by Kimberly Loving and passed unanimously.

Adjournment: Rick Sheridan moved to adjourn the meeting provided there were no objections. Hearing no objections, the meeting was adjourned at 11:33am.

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



Jeffrey S. Davis
Secretary, Deferred Compensation Plan Committee

02/02/2022