

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

Wednesday, May 25, 2022 10:00 am – 12:00 pm
Virtual Meeting via Webex

TRUSTEES present: Jeff Davis, Rick Sheridan, Tania Torres, and Dennis Karl

STAFF present: Michelle Ell, Tony Dozier & Malia Bonham (Plan Staff)

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

GUESTS present: Andee Gravitt, Kent Morris, Frank McCafferty, Chris Worthington, Amelia Dunlap, Olivia Anastasi & Susan Wilson, from Nationwide; Lauren Albanese, Financial News

BUSINESS

Opening: Rick Sheridan, Committee Chair, started the meeting at 10:03 am.

Introductions: Rick Sheridan welcomed attendees and asked for introductions.

Public Comment: Michelle Ell read public comment that was provided by Emory Horvath which was around the new Vanguard Target & Retirement Income & Growth fund. His comment stated, “In principle, that sounds like a very good option to add to our plan menu. I can’t find any details yet about the fund, so I can’t speak precisely. Now the Target Income fund might still be an appropriate choice for many folks, because it’s intended for folks over 75 and deep into retirement, so there are situations where 30/70 allocation is still appropriate. But for many, especially in our current low-interest-rate environment, and with a stable pension as well, a larger equity allocation like 50/50 might indeed be more appropriate.”

Minutes of March 23 Regular Meeting: Rick asked for a review of the meeting minutes.

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

Plan Staff Update: Michelle Ell informed the Committee that Washington State has made a change to the Open Public Meetings Act, removing the exemption to allow for full remote meetings. Starting June 1, board meetings must maintain a physical location. Michelle noted she checked with Gary Smith at the City Attorney’s Office who confirmed hybrid meetings were an acceptable option, which would continue to allow for remote attendance. Michelle confirmed with the Committee there will be a room booked for July in the Seattle Municipal Tower and that most trustees still intend to attend virtually.

Michelle informed the Committee of upcoming communications for participants. Plan Staff is currently in the process of translating the Plan Highlights and FAQs documents into all the City of Seattle Tier 1 languages, to match the Benefits Unit. Michelle shared other outreach activities are a beneficiary mailer,

educational sessions targeting separating employees, and a participant satisfaction survey. Michelle also noted the Plan will be moving towards paperless statements as the default, with the option to opt-out.

Michelle reported that there is still no replacement for Teri Allen, but the incumbent in that position will be on the Trust Committee once filled. Michelle also informed the Committee that Glen Lee will be leaving the City and once a replacement is found for Glen, that individual will also be on the Committee.

Nationwide Q1 2022 Review: Andee Gravitt provided a review of Nationwide's Q1 2022 report for the Committee. Andee pointed out the discrepancy on the Retirement Readiness statistic which reduced from 55% to 35%. Andee shared Nationwide recently changed the methodology used to calculate this and the changes are largely due to higher inflation rate assumptions and utilizing individual's personal allocation to provide risk/return assumptions. Susan Wilson presented participant contact statistics and noted the Plan saw the highest number of new enrollments in five quarters. Andee noted there was a performance SLA failure penalty that occurred regarding answering 80% of the calls within 20 seconds. Some of the reasoning provided includes higher call volume, call duration, and staffing challenges.

Frank McCafferty and Amelia Dunlap shared the results of the Increase Campaign that occurred in Q1. The campaign had 25% engagement from the email outreach and a total increase of \$3.8 million in contributions occurred because of this outreach.

Hyas Q1 2022 Investments Review: Jayson Davidson provided an economic and financial market update highlighting the Fed's actions in battling high inflation and the short-term impacts on equity and fixed income markets. The Committee reviewed leading economic indicators, such as GDP, unemployment, and corporate profits. The Committee reviewed the performance of both domestic and international capital markets and discussed the worsening condition since the report. Jayson highlighted the U.S. Department of Labor (DOL)'s recent guidance under ERISA cautioning against including crypto-currencies as investment options in plans. He noted that the Plan does not allow participants to invest in individual securities or currencies.

Ted Grigsby reviewed fund performance relative to the City's investment policy. Both the American Century Mid Cap Value fund and the American Funds EuroPacific Growth fund have improved performance but will still remain on watch per the policy.

Ted discussed recently announced manager changes for both AMG TimeSquare and American Funds EuroPacific fund. The lead manager for AMG TimesSquare will be retiring in 1-year but will remain on as a consultant for the following two years. American Funds EuroPacific announced an additional portfolio manager to their team. Ted indicated that they are not concerned with either of these changes, and no Committee action was recommended. Next, Ted discussed the new "X" share classes available for Dodge & Cox funds that eliminate revenue sharing and reduce the overall expense ratio. As of 3/31/2022 there were approximately 966 participants and \$78.4mm in the Dodge & Cox fund, and 813 and \$30.6mm in the Dodge & Cox International fund. He noted that the revenue sharing of 10 pbs included in the Dodge & Cox funds currently in the line-up is rebated back to participants. Hyas recommended that the Committee move to the newly available Dodge & Cox "X" share classes without revenue sharing and with a lower overall expense ratio.

MOTION: Jeff Davis moved to change the Dodge & Cox funds to their new lower cost version of their fund (Class X) with no revenue sharing as soon as administratively feasible. The motion was seconded by Dennis Karl and passed unanimously.

Ted noted that the Vanguard Target Retirement 2070 Fund was scheduled to be added to the fund line-up in July, per the Committee's decision at the last meeting.

Ted also commented that the Plan's investment line-up had held up well in the recent market turbulence, particularly the Target Date Funds, which were mostly in the top quartile.

Lastly, Ted reviewed with the Committee Hyas Group's Plan Fee Analysis, commenting that the Plan was well positioned in regard to fees and that due to recent Committee decisions, costs had been reduced by almost 9bps over the course of the previous year.

Legal Updates: Gavin Parr discussed the legislative status of the Secure Act 2.0. MMPL will provide specific updates if and when the legislation is enacted.

Adjournment: Jeff Davis moved to adjourn the meeting which was seconded by Tania Torres. Hearing no objections, the meeting was adjourned at 11:29am.

Next Meeting: The next regular meeting is scheduled for Wednesday, July 27, 2022, at 10:00 am PST. The meeting will be hybrid via WebEx and a TBD location in Seattle Municipal Tower.



Jeffrey S. Davis
Secretary, Deferred Compensation Plan Committee

10/11/2022