

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

Wednesday, November 29, 2023 10:00 am – 12:00 pm  
Hybrid Meeting

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

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

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

**GUESTS present:** Jim Keeler, Sam Wagner, Susan Wilson, Andrew Robinson, and Wendie Arnold from Nationwide. Emory Horvath.

## BUSINESS

**Opening:** Rick Sheridan, Committee Chair, started the meeting at 10:01 am.

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

**Public Comment:** There was public comment from Matthew Recker regarding expanding the fixed income funds offered under the Plan. Emory Horvath expressed agreement with Matthew Recker, adding that he would like a low cost money market or short-term bond fund that is more competitive than existing offerings.

**Minutes of September 27, 2023 Meeting:** Rick asked for a review of the meeting minutes.

**MOTION:** Dennis Karl moved to approve the minutes. The motion was seconded by Kimberly Loving and passed unanimously.

**Plan Staff Update:** Michelle shared with the committee that the National Association of Government Defined Contribution Administrators (NAGDCA) Annual conference was a positive experience with the Plan winning the Art Caple President's Award and the Leadership Award in the Education and Communication category. Michelle noted the Workday implementation is still in process and Plan Staff is developing new day-to-day processes for the system change. She further stated that the recordkeeper RFP is still in process, and that the Plan received five bids and the subcommittee will meet to discuss analysis of those next month. She reported that the auditor RFP needs a subcommittee. Michelle reminded the Committee that the 2024 bi-monthly meeting schedule would be set soon and added to their calendars.

**MOTION:** Jeff Davis moved to create an auditor RFP subcommittee with Kimberly Loving and Jamie Carnell as members. The motion was seconded by Jessica Jaeger and passed unanimously.

**Nationwide Q3 2023 Report:** Jim Keeler discussed the Q3 Nationwide plan overview and noted that there has been an uptick in enrollments for the quarter, eclipsing the previous quarter by 29 enrollments; he noted, however, that total participant contributions decreased for the quarter. Participant accounts increased to 11,047 from 10,987. Susan Wilson reported that her team addressed over 1,500 different topics with participants for the quarter and conducted 780 individual meetings. Additionally, 893 individuals attended the 35 group meetings that were conducted. The increase in group participation was largely due to Susan integrating with the flu shot clinics. The Committee discussed the historical plan participation rates and noticed a downtrend over the last few years. Prior to the pandemic, the participation rate was in the low 40% range. The current rate stood at 37.4% as presented by Nationwide, but Michelle Ell mentioned that the actual rate is closer to the 45% to 50% range. The City is working on reflecting more accurate numbers and should provide a better insight towards the end of Q1 2024. Jim noted that the regular contribution limits increased from \$22,500 to \$23,000 for 2024.

**Hyas Group Q3 2023 Performance Review:** Jayson and Ted presented the Third Quarter 2023 Performance Report and discussed current economic conditions, performance of global and domestic capital markets, and impacts to the Plan's investment options. The domestic stock and fixed income markets declined for the quarter as a result of increasing interest rates and economic instability. However, they reported that economic and market growth have been strong since the end of the quarter and economic growth has been very high through the year. The Plan's assets stood at \$1,586,632,237 as of September 30, 2023. The Committee reviewed the allocation among the offered investment options and discussed the allocation of approximately 34.62% of the Plan's assets into the Target Retirement funds, which have performed well and are mostly ranked in the top quartile relative to peers over a 5-year period. The Committee reviewed the record-keeping and investment fees. The total weighted average administration expense was 0.284%, and the weighted average investment expense was 0.194%. They reported that three funds remain on watch and recommended no action at this time, as all have been improving since placed on watch status. Specifically, they reported that the qualitative issues with the PIMCO Total Return Fund have been resolved, and significant progress has been made on quantitative performance; that the Vanguard US Growth Fund has recovered very well, with strong recovery in performance in performance over a five year period; and that the American Funds EuroPacific Growth Fund has rebounded well from its earlier level. They stated that they have no concerns about the lineup of funds in the Plan and recommend no changes at this time.

**Review of Investment Policy Statement:** Ted reviewed the draft Investment Policy Statement and the recommended changes. In response to a question regarding passive investment strategies in comparison to the approach of the Seattle City Employees' Retirement System, the Committee decided to table adoption of the IPS following results of that comparison. The Committee planned take this item up again in the January meeting.

**Legal Updates:** Gavin Parr reviewed the March 2023 MMPL memorandum covering the SECURE Act 2.0 provisions that impact the Plan – noting that some issues in the memo had already been addressed and decided by the committee at prior meetings, and some were still open for consideration following development of additional information over the course of the year. Gavin discussed the delay by the IRS in the SECURE Act 2.0 requirement to use Roth accounts only for catch-up contributions, which had been due for implementation in January 2024 but has now been delayed until January 2026, at the earliest, stating that therefore no action is currently required by the Plan on that issue. Gavin then presented a Required Minimum Distribution (RMD) issue for the committee's consideration. The

SECURE Act 2.0 RMD provision eliminates the legal requirement for participants to take mandatory RMD distributions from their Roth accounts, effective in 2024. MMPL had recommended adopting this provision beginning in 2024 provided that Nationwide could reprogram its systems to accommodate the change, and Nationwide reported that it is now ready to remove that requirement at the beginning of 2024. Gavin also reported that there are additional distribution provisions outlined in SECURE Act 2.0 that Nationwide is working on integrating into their systems. As with the RMD distributions from Roth accounts change, MMPL recommends revisiting these when there is more information on how these may be implemented.

**MOTION:** Jeff Davis moved to remove the requirement for RMD distributions to be made from Roth accounts, effective January 1, 2024, as recommended by MMPL. The motion was seconded by Jamie Carnell and passed unanimously.

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

**Next Meeting:** The next regular meeting is scheduled for Wednesday, January 24, 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