

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

Wednesday, December 4, 2024, 10:00 am – 12:00 pm
Hybrid Meeting

TRUSTEES present: Kimberly Loving, Jessica Jaeger, Jeffrey Davis, Tania Torres, Dennis Karl, and Rick Sheridan.

STAFF present: Michelle Ell, Tony Dozier, Jesica DiCione (Plan Staff).

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

GUESTS present: Jim Keeler, Susan Wilson, and Kris Morton, Kent Morris, Frank McCafferty (Nationwide). Andrew Robinson (City Finance), Gary Smith (City Attorney's Office), Emory Horvath.

BUSINESS

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

Introductions: Rick Sheridan welcomed attendees and asked for introductions.

Public Comment: No public comment.

Minutes of September 25, 2024 Meeting: Rick Sheridan asked for a review of the meeting minutes.

MOTION: Tania Torres moved to approve the minutes. The motion was seconded by Jessica Jaeger and passed unanimously.

Nationwide Q3 2024 Report: Jim Keeler discussed the Q3 2024 Nationwide plan overview and noted the quarter's strong performance. He reported that there was an increase in Plan assets of 5.41% and there were 11,418 participants in the plan with 9,740 online accounts, and 6,443 using the MIRP tool. Loans and unforeseen emergencies were noted to be within expected levels. Loans declined from the second quarter, and the total outstanding loan assets were \$17.9 million. Mr. Keeler reported that Nationwide had satisfied all Service Level Agreements for the quarter. He stated that there were \$24 million in contributions for the quarter, with an increase in Roth deferrals.

Susan Wilson presented information regarding one-on-one and group meetings with Plan participants. She reported 870 appointments, and 28 group meetings with a total of 687 attendees. Ms. Wilson also noted that there were 239 new participants in the third quarter, mostly due to retroactive wage payments.

Frank McCafferty reviewed the results of the Participant Satisfaction Survey. He reported that the vendor for this year's survey changed from Big Village to Empatics, and that the survey was completed in July and August 2024. The objective of the survey was to ensure that the needs of the participants are being met, and to help prioritize improvements. He stated that there 345 participants completed the survey, with an overall satisfaction level of 63%. Mr. McCafferty reviewed the satisfaction among

investment options, the call center, the website, the mobile app, Plan Staff and the local education consultant.

Hyas Group Investment Policy Statement Discussion and Q3 2024 Performance Review: Ted Grigsby provided an overview of economic and financial market conditions, stating that the US economy continues to be strong and resilient; that unemployment has softened; and that inflation measured by CPI had declined together with long term interest rates.

Mr. Grigsby then reviewed the status of the Plan's investment funds overall, noting continued performance at or above benchmarks for nearly all Plan investment options. He provided an update regarding the four funds currently on watch: Calvert Equity R6, Vanguard US Growth, American Century Mid Cap Value, and Artisan Small Cap. He stated that these funds have been impacted by having less of a growth stance than their peers, and that the third quarter was positive for all four of them. He noted some continuing concerns regarding the Artisan Small Cap Fund. Based on their analysis, the Hyas Group recommended no change in watch status with respect to these four funds despite the recent improvements, and continued review at upcoming meetings.

Mr. Grigsby then reported that the Victory Sycamore Small Company R6 Fund had not met the Policy's performance standards with underperformance relative to both the peer and benchmark returns over the past five years, caused by underweights to the financial and utility sectors. He recommended placing the fund on watch.

MOTION: Jessica Jaeger moved to add Victory Sycamore Small Company R6 to the watch list. The motion was seconded by Jeff Davis and passed unanimously.

Mr. Grigsby noted that Plan assets ended the quarter at \$1,966,457,374. Plan investment fees were 0.2661% overall, recordkeeper fees were .0295%, and administration fees were .0605%. He reported that the Vanguard collective investment trusts approved at the last meeting (to provide the same investment options at lower fees) were being implemented.

Plan Staff Update: Michelle Ell discussed 2023 Plan Audit, noting that it is in progress following delays in obtaining information from Seattle Credit Union and reporting from Central Payroll. Ms. Ell stated that she expected Central Payroll to provide information in December, and to provide the audit report in the January 2025 meeting.

Ms. Ell then provided an update on Workday issues, noting that Plan staff members continue to work on correcting deferral issues, and coordinating with Workday and Payroll staff to complete corrections by year end for accurate W-2 reporting. She stated that she is continuing to work with legal counsel at MMPL to determine the proper methods for corrections, and that Plan Staff is working overtime to process corrections. She reported that notices to participants regarding corrective contributions and paychecks should be sent by the end of the month.

Kimberly Loving stated that she was aware of the Workday transition challenges and inquired about charging transition costs incurred by Plan staff to the Workday project. Michelle Ell indicated they can have a conversation with Jamie Carnell and the Workday project team on that issue.

Michelle Ell then briefed the Committee on upcoming Plan Staff focus items, including catch-up contributions and processing adjustments for the fire and police departments due to new contracts.

Ms. Ell outlined the six proposed dates of the 2025 Deferred Compensation Committee Meetings and asked the committee if they would like to continue to have hybrid in-person and online meetings or if they would prefer to meet in person. After discussion, it was decided that the meetings will continue to be hybrid with the option to join in person at the conference room in the Pacific Building.

Legal Update: Michael Monaco updated the Committee on Washington State's auto-enrollment legislation, stating that if the bill is enacted in the expected form, there will be items for the Committee and potentially the City Council to consider – including whether and in what form to implement auto-enrollment.

Gavin Parr discussed the federal SECURE Act 2.0 changes going into effect in 2025 regarding catch-up contributions. He discussed the SECURE Act 2.0 provision regarding those aged 60-63 that can allow an increase in their annual catch-up contribution to \$11,250. He noted that for this Plan, this is an optional change, and stated the current challenge as reported by Plan staff would be implementing it at the payroll level. Michelle Ell stated that with the Workday issues it is not currently feasible to implement this new limit and suggested revisiting it at a later date. Rick Sheridan stated that he would like to see further consideration of this option when it is administratively feasible.

Michael Monaco discussed the transition to Empower as recordkeeper, and noted that an amendment to the Nationwide contract had been negotiated and signed to allow it to continue to serve as recordkeeper until the Plan is ready to make the transition to Empower. He stated that his office is also continuing work on revisions to the contract with Empower, which is amenable to beginning its contract term when the Plan is ready to move forward. Michelle Ell mentioned that Plan Staff will coordinate with HRIS regarding the files and file transfers for the transition.

Executive Session: Rick Sheridan announced a 15-minute executive session beginning at 11:24 to meet with legal counsel, Michael Monaco and Gavin Parr, to discuss legal risks of a current or proposed action.

Adjournment: Rick Sheridan moved to adjourn the meeting at the conclusion of the executive session. Hearing no objections, the meeting moved to executive session and then adjourned.

Next Meeting: The next regular meeting is scheduled for Wednesday, January 22, 2024, at 10:00 am PT. The meeting will be hybrid via WebEx.



Jeffrey S. Davis
Secretary, Deferred Compensation Plan Committee