

City of Tacoma Deferred Compensation Plan Committee
Quarterly Meeting

August 23, 2018 / 1:00pm – 4:00pm
Tacoma Municipal Building / Conference Room 138

AGENDA

- I. Review and Approval of Prior Meeting Minutes** (Committee action item)
 - Attachment: May 24, 2018 Deferred Compensation Committee Meeting Minutes

- II. ICMA-RC: Presentation on Cyber-Security and Fraud Prevention**
 - ICMA-RC experts will be calling in to present remotely at the meeting

- III. Hyas Group: Second Quarter 2018 Performance Review: ICMA-RC Program**
 - Distributed at meeting: 2Q18 ICMA-RC Performance Report
 - Markets and Economic Overview
 - On-Watch Funds Update: Vanguard Mid Cap Growth
 - Plus Fund Share Class Change: Switch to new lower-cost version of Plus Fund
 - AMG- LCMG fund replaced with Vanguard Explorer on 8/17/18
 - Fee and Revenue Analysis

- IV. Hyas Group: Second Quarter 2018 Performance Review: Nationwide Program**
 - Distributed at meeting: 2Q18 Nationwide Performance Report
 - On-Watch Funds Update: Vanguard Mid Cap Growth Fund (Covered in ICMA-RC Review)
 - AMG- LCMG Small Cap Growth fund replaced with Vanguard Explorer on 8/16/18
 - Fee and Revenue Analysis

- V. Hyas Group: Education Piece for Near-Retirees on the Cost of Investment Management**
 - Attached and distributed at meeting: Sample of participant hand-out

- VI. ICMA-RC: Service Delivery Report**
 - ICMA-RC representatives will review activity and service delivery YTD

- VII. City of Tacoma Staff: Review of Administrative Account and Plan Budget Update**
 - Budget update
 - Admin Accounts on-hand and at the Providers.

- VIII. Hyas Group: Legislative and Regulatory Update**
 - Review of the “457 Plan Fiduciary Advisor” Second Quarter 2018 newsletter and more recent developments in the regulatory and legislative environment

- IX. Review of Meeting Action and Discussion Items for Follow-Up**

- X. Questions / Open Discussion / Housekeeping Items / Next Meeting Agenda**

THIS PAGE INTENTIONALLY LEFT BLANK

Deferred Compensation
May 24, 2018
Tacoma Municipal Building
Room 138
1:00pm – 4:00 pm

Committee Members Present:

Committee Chair Jim Sant, Utilities Director, Deputy
Members Present Kari Louie, Senior Compensation and Benefits Manager
Chris Bacha, City Attorney, Deputy
Gary Buchanan, Human Resources Director
Teresa Sedmak, City Treasurer

Committee Staff Present: Greg Settle, Hyas Group, Senior Consultant
Sam Benscoter, Management Analyst III
Hayley Falk, Management Analyst II
Martha Lantz, City Attorney, Deputy
Diane Peterson, Human Resources Specialist

Guests Present: Mike Ferguson, Nationwide Sr. Retirement Specialist
Chris Morton, Nationwide Program Director WA & OR

The meeting began at 1:06 pm.

I. Review and approval of prior meeting minutes

The March 16, 2018 Deferred Compensation Committee minutes was reviewed.

A motion was made to accept the March 16, 2018 minutes as presented.

1st motion: Teresa Sedmak

2nd motion: Chris Bacha

The motion was approved

II. Hyas Group: First Quarter 2018 Performance Review: ICMA-RC & Nationwide Programs

Greg Settle presented the First Quarter 2018 Performance Reports. The AMG Managers/ LMCG Small Cap Growth Fund and the Vanguard Mid Cap Growth Fund both continue to underperform the performance standards of the Investment Policy Statement.

After a strong first quarter and excellent YTD performance through mid-May, Hyas Group recommends continued patience with the improving Vanguard Mid Cap Growth Fund.

Funds to remain on Watch: Vanguard Mid Cap Growth Fund

Performance of the AMG Managers/LMCG SCG Fund improved in the first quarter, but recent updates show it is again underperforming YTD in 2018. A search of alternative small cap growth managers presented at the meeting is discussed below.

III. Hyas Group: Performance Discussion

The Committee discussed the continued negative cash-flow from the core 457 Plan, and strategies to ensure that participants are making informed decisions when they initiate transfers out of the Plan. Greg Settle described an educational piece recently developed for another client and the Committee asked if Hyas could prepare a version for the Tacoma Plan. They will do so and present it at the next meeting.

IV. Hyas Group: Manager Search: Small Cap Growth

Greg presented a search for alternative small cap growth managers. After the presentation and discussion by Committee members, the Committee voted to replace the AMG Managers/LMCG Small Cap Growth Fund with the Vanguard Explorer Fund. Greg will send language to Jim Sant by June 1, 2018, for instructing Nationwide and ICMA-RC to make this change.

A motion was made to replace the AMG Managers/LMCG Small Cap Growth Fund with the Vanguard Explorer Fund.

1st motion: Chris Bacha
2nd motion: Gary Buchanan
The motion was approved

V. Nationwide: Service Delivery Report

Mike Ferguson and Chris Morton presented the 2017 Review. Mike stated the most significant question from participants shifted from “How are my investments doing?” to “Am I on track for retirement?”

Cybersecurity was discussed. Cybersecurity is of utmost importance to Nationwide. They are committed to protecting participant data. Voice recognition and computer pattern recognition are two examples of security currently being developed.

VI. City of Tacoma Staff: Review of Administrative Account and Plan Budget Update

Sam Bencoter briefed the Committee on the status of budget to actuals as well as the recent draw-down from ICMA-RC and Nationwide executed for the purpose of paying expenses. Revenue and expenses are on track.

Sam will prepare a proposed 2019 budget to present at the August 23rd meeting.

VII. Hyas Group: Legislative and Regulatory Update

Repeated legislative efforts to do away with the Department of Labor’s “Fiduciary Rule” have now been joined by a circuit court decision that casts even longer shadows over the Rule’s future. The decision rejects the regulation redefining fiduciary investment advice.

The Securities and Exchange Commission is publishing for comment a proposed interpretation of the standard of conduct for investment advisors. The SEC is requesting comment on: licensing and continuing education requirements for personnel of SEC-registered investment advisors; delivery of account statements to clients with investment advisory accounts; and financial responsibility requirements for SEC-registered investment advisors, including fidelity bonds.

VIII. Review of Meeting Action and Discussion Items for Follow-Up

Required motions made and approved.

IX. Questions / Open Discussion / Housekeeping Items / Next Meeting Agenda

RFP updates from the February 22nd Committee meeting:

- Tim Allen, Retirement System Director contributed content recommendations,
- Tim will also be a resource to the RFP team,
- RFPs were requested from other governmental entities,
- Kari Louie and Martha Lantz will make adjustments to some language before submitting to Purchasing.

A motion was made to authorize Kari Louie to finalize the RFP and provide to Purchasing for publication conditioned upon the draft being provided to Committee for further review and comment to be submitted June 8th.

1st motion Chris Bacha
2nd motion Teresa Sedmak
The motion was approved

A motion was made to authorize a Selection Advisory Committee consisting of three deferred compensation Committee members and Tim Allen, TERS Director, to evaluate submittals and provide an award recommendation to Committee at its August meeting or special meeting as needed.

1st motion Teresa Sedmak

2nd motion Kari Louie

The motion was approved

Meeting adjourned at 3:57 pm

For Committee Approval

THIS PAGE INTENTIONALLY LEFT BLANK



July 26, 2018

DIANE PETERSON
CITY OF TACOMA
747 MARKET STREET
ROOM 1420
TACOMA, WA 98402-3772

RE: New Share Class - PLUS Fund – Plan Number(s) 302010

Dear Ms. Peterson,

As part of our contract agreement with CITY OF TACOMA, ICMA-RC processes fee credit transactions to your plan participants. This is done on a quarterly basis to provide your participants with the fee structure as outlined in the terms of your contract with ICMA-RC. We are introducing several new lower cost fund classes of the PLUS Fund. As a result, ICMA-RC is able to allow you to move your plan participants to a lower cost class of the PLUS Fund, and concurrently eliminate or reduce the need for our fee credit transaction. The following example illustrates your participant's experience with the new class:

	Existing	New
PLUS Fund Class	R10	R12
PLUS Fund Fees	0.30%	0.20%
Credits/Fee Reductions to PLUS Fund processed quarterly to plan participants	0.14%	0.04%
Total ICMA-RC Compensation	0.16%	0.16%

The amount of ICMA-RC compensation remains unchanged as a result of this class change. However, with this change we are able to reduce the need to process and display quarterly fee credits to your participants.

ICMA-RC is able to make this change on Friday, October 19, 2018, if you affirmatively instruct us to do so. In order to be included in this class change, please respond by email to:

- Send an email to ***FundLineupServices@icmarc.org*** by **September 1, 2018**.
- In the subject line, write **“VT Fund Update.”**
- In the email, include the full name(s) and number(s) of the plan(s) you are referencing and an affirmative statement that you wish to move from PLUS Fund R10 to PLUS Fund R12 effective October 19, 2018



Participant Communications

Plan participants will be notified of the class change via messaging on Account Access prior to implementation and will also receive an insert in their upcoming quarterly statement that describes the change.

Participant Transactions

We process class changes so that participant transactions can be accepted until market close (typically 4pm EST) on the day of the change. We do however impose a blackout from the market close on the day of the scheduled change until the market open on the following business day. This allows us to process the transactions and reconcile the lineups and participant accounts.

To view your current lineup or if you have any questions about these changes, please log in to EZLink at www.icmarc.org/login. Within EZLink, you can utilize any of the Contact Us options, including the option to send an email directly to your Plan Sponsor Services team.

ICMA-RC values our relationship with you and is pleased to offer these new share classes of the VT PLUS Fund as part of our mission based focus on building public sector retirement security.

Sincerely,