

**Deferred Compensation Quarterly Meeting**  
**August 26, 2021**  
**Virtual Zoom Meeting**  
**1:00 pm – 3:00 pm**

**Committee Members Present:** Jim Sant, Utilities Director, Deputy  
Kari Louie, Senior Compensation and Benefits Manager  
Alice Phillips, Business Manager, IBEW 483  
Chris Bacha, City Attorney, Deputy  
Shelby Fritz, Human Resources Director  
Andy Cherullo, City Finance Director (Interim Treasurer)

**Committee Staff Present:** Greg Settle, Senior Consultant, Hyas Group  
Tammy Liddle Lobban, Management Analyst  
Ana Lopez, Human Resources Specialist

**Guests Present:** Matthew Frank, Fire Lieutenant  
Two Community Members Joined the Meeting

**MINUTES**

The meeting began at 1:03 p.m.

**I. Welcome/New Support Staff**

Jim Sant opened the meeting and welcomed new Human Resources Director, Shelby Fritz. Shelby briefly introduced herself to the group.

**II. Review and Approval of Prior Meeting Minutes (Committee action item)**

Jim Sant asked for a motion to accept the May 27, 2021 meeting minutes as presented.

1<sup>st</sup> motion: Chris Bacha

2<sup>nd</sup> motion: Alice Phillips

All approved, motion passed

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

Tammy Liddle Lobban presented on the Deferred Compensation Budget vs. Actuals to date. She reviewed the Administrative Account balance on hand and with the providers.

- At the close of July, account balances were as follows:
  - ICMA-RC/MissionSquare: \$280,769.81
  - Nationwide: \$50,640.69
- Fund 6050 – Deferred Compensation as of July 31, 2021:
  - Ending Cash Balance: \$31,257.29
  - Grand Total: \$362,667.79

**IV. Hyas Group: Hyas Group Organizational Changes**

Greg Settle gave a brief overview on the upcoming purchase of the Hyas Group by Morgan Stanley. He will provide another update at the next Committee meeting.

**V. Hyas Group: Second Quarter 2021 Plan Review: MissionSquare**

Greg Settle presented information around the Second Quarter 2021 Plan and Investment Performance Report.

## **VI. Hyas Group: Second Quarter 2021 Combined Plan Investment Performance Report**

Greg Settle reported that one plan investment was found to be underperforming the standards of the Investment Policy Statement (IPS): the Hotchkis and Wiley High Yield Fund. The committee discussed the Hotchkis and Wiley fund in conjunction with the agenda item on Investment Menu Design for the Plan.

Greg also reported that that the DFA US Targeted Value Fund has been performing in compliance with the standards of the IPS for several quarters and is having a very strong 2021.

The Committee voted to take the DFA US Targeted Value fund off watch status.

1<sup>st</sup> motion: Alice Phillips

2<sup>nd</sup> motion: Kari Louie

All approved, motion passed

Greg Settle informed the Committee that the substantial increase in assets that has occurred over the past 18 months due to market activity has likely increased plan administration fee revenue above budget, and that the Committee might want to consider a reduction of the participant fee rate at some point in the future. He will work with Kari Louie and staff to prepare an analysis of rates and revenues.

Greg Settle reported that on August 25, 2021, the Wall Street Journal published a story about turmoil in the senior management of TCW, the firm that operates the Plan's Metropolitan West Total Return Bond fund, saying that the CEO and Investment Chief would be departing from the firm. Hyas Group has scheduled calls with portfolio managers at the firm to develop an understanding of the potential impacts of this activity. Hyas will be sending a letter to the City with their findings and recommendations.

## **VII. Hyas Group: Second Quarter 2021 Plan Review: Nationwide**

Greg Settle presented the Second Quarter 2021 Plan and Investment Performance Report. Greg Settle shared the Nationwide fixed account has dropped to 1.64% annualized rate and suggested the committee monitor its performance.

## **VIII. Staff: Update on RFP Process and Contracting with Selected Firms**

Kari Louie reported that she and Legal staff had been working on the contracts with both providers after the decision made in the spring to continue the relationship with both MissionSquare (formerly ICMA-RC) and Nationwide. Both contracts were scheduled to expire in June and July of 2021. They were unable to finalize the new contracts for each provider before these deadlines so each was temporarily amended while the new contracts were negotiated. Copies of the current contracts, amendments, and new provider contracts were provided and discussed:

- Both providers were willing to offer newly negotiated lower fees that were obtained through the RFP process to pass savings on to employees with the temporary contract amendments. Nationwide offered a lower rate if the City choose a 10-year contract duration. Local 31 agreed to capture the lower rate, which was identified in the contract amendment.
- The new MissionSquare contract was set to be effective September 1, 2021, pending Committee approval.
- The Nationwide contract was set to be effective October 1, 2021, pending Committee approval.

The Committee voted to approve the new contract agreements with both providers and substantially to form with the MissionSquare agreement, pending one edit referencing the ability of a cumulative three-year amendment to the original contract term. Additionally the committee authorized Committee Chair, Jim Sant, to sign the finalized contracts.

1<sup>st</sup> motion: Alice Phillips

2<sup>nd</sup> motion: Shelby Fritz

All approved, motion passed

**IX. Continued Discussion: Investment Menu Design and Potential Fund Eliminations**

Greg Settle picked back up on a previous discussion topic with the Committee related to a modern Deferred Compensation Plan investment menu design and the three City of Tacoma 457 Plan funds that Hyas Group had previously recommended that the Committee consider eliminating from the Plan investment menu: Hotchkis and Wiley High Yield Fund, DFA Emerging Markets Fund, and PIMCO GNMA/US Treasury Fund. The Committee reviewed the very limited number of participants using each of these funds and, after further discussion, voted to eliminate each of these funds, mapping contributions and assets to similar Plan funds as recommended by Hyas Group. Due to there not being a representative from IAFF Local 31 at the meeting, the Committee decided they would apply these fund changes only to the portion of the Plan administered by MissionSquare, pending a discussion with Local 31 representatives to confirm whether they agree with making these changes to the IAFF 457 program administered by Nationwide. Greg Settle committed to meet with Local 31 leaders to review this issue in the coming weeks. He would report back to the Committee Chair with the result of that meeting.

Alice Phillips motioned to implement the recommendations provided that the Local 31 agrees to these changes. If changes are declined, Committee would move forward with recommended changes as outlined for MissionSquare participants only.

1<sup>st</sup> motion: Alice Phillips  
2<sup>nd</sup> motion: Chris Bacha  
Motion passed

**X. Hyas Group: Opportunity to Move to Institutional Share Class in Index Funds**

Greg Settle informed the Committee that Hyas Group has received approval from Vanguard to have the City of Tacoma 457 Plan's investments in the Vanguard International Index, Bond Index, and Social Index funds changed from the Admiral Share class to the Institutional share class, thereby reducing the expense ratios for these funds. No other aspects of these investments would change with this transition.

- Bond index fund would go from .05% to .035%
- International index would go from .11% to .08%
- Social index fund would go from .14% to .12%

Jim Sant entertained a motion to approve moving funds from the admiral share to the institutional share class.

1<sup>st</sup> motion: Alice Phillips  
2<sup>nd</sup> motion: Andy Cherullo  
Motion passed

**XI. Hyas Group: Self Directed Brokerage Account Balance and Transfer Minimums**

Greg Settle provided information about the current core balance minimums and minimum transfer amounts required in the Nationwide and MissionSquare Self Directed Brokerage Account (SDBA) programs. Greg informed the Committee that MissionSquare would allow the reduction of their minimums to match those required by Nationwide: A minimum core balance of \$10,000; an initial transfer minimum of \$2,500; and a minimum transfer amount of \$500 for additional transfer to the SDBA. MissionSquare brought this issue up to the City based on a member's inquiry into the matter.

Jim Sant asked for a motion to approve aligning balance and transfer minimums in the MissionSquare program to match Nationwide.

1<sup>st</sup> motion: Alice Phillips  
2<sup>nd</sup> motion: Andy Cherullo  
Motion passed

The Committee discussed the need to communicate to participants about the various changes to the Plan approved by the Committee. Greg Settle was tasked with developing a draft communication to participants for the City's consideration.

## **XII. Hvas Group: Legislative and Regulatory Update**

Greg Settle provided a brief legislative update to the Committee.

## **XIII. City of Tacoma Plan Document Bylaws**

Kari Louie presented a redlined plan document and bylaws for the Deferred Compensation Plan. The Committee walked through the recommended redlined changes, which were mostly comprised of clean-up language and the addition of the approved emergency CARES Act and Secure Act legislative changes the Committee approved in 2020 for the Plan. The Committee referenced some requested changes in the Plan Document to be made related to the Cares Act legislation included in the document mentioning these changes being ratified and effective March 2020. They additionally had discussion about the Bylaws document in a couple sections related to the timing of filing and discussing new matters. It was decided that Kari Louie will work with Legal staff to make additional edits to both the Plan Document and Bylaws discussed by the Committee and bring these documents back for further discussion at the next quarterly meeting in December.

Meeting adjourned at 3:00 p.m.