

**Deferred Compensation Committee Quarterly Meeting
December 5, 2024
Virtual Zoom/In Person Meeting
Tacoma Municipal Building, Room 243
1:00 p.m. – 4:00 p.m.**

Committee Members Present: Kari Louie, Assistant Human Resources Director – TMB
Michael San Soucie, City Treasurer - TMB
Byron Allen, Joint Labor - virtual
Shelby Fritz, Human Resources Director – TMB

Committee Members Absent: Chris Bacha, City Attorney
Alex Yoon, Utilities Deputy Director

Committee Staff Present: Greg Settle, Senior Consultant, Hyas Group - TMB
Cindy Farmer, Human Resources Specialist - TMB
Debra Casparian, Deputy City Attorney - virtual
Tammy Liddle-Lobban, Human Resources Manager - virtual

Guests Present: Matt Frank, Local 31 - virtual
Jim Keeler, Nationwide - virtual
Mike Ferguson, Nationwide - virtual

Minutes

The meeting began at 1:01 p.m.

- 1) Call to Order**
Kari Louie, Vice-chairperson, opened the meeting and welcomed all the participants.
- 2) Roll Call**
Kari Louie, Michael San Soucie, Shelby Fritz, Byron Allen were present at the meeting. Chris Bacha and Alex Yoon were absent.
- 3) Adoption of the Agenda (*Committee Action Item*)**
Kari Louie proposed changes in the order of the agenda items to ensure legal council would be available if questions arose. Number (#) notations are in reference to the numbering order that item was listed on the original meeting agenda.
A motion was made to accept the agenda with changes in the order:
1st motion: Byron Allen
2nd motion: Shelby Fritz
All Approved, motion passed
- 4) Public Comment**
Kari Louie asked if there was any public comment and Cindy Farmer replied that no public comment was submitted.

5) Review and Approval of Prior Meeting Minutes (Committee Action Item)

A motion was made to approve the minutes from the August 22, 2024, Deferred Compensation Committee meeting:

1st motion: Byron Allen
2nd motion: Shelby Fritz
All Approved, motion passed

6) 2025/2026 Biennium Budget Update

Tammy Liddle-Lobban reviewed the year-to-date budget report and said it will go to Council this month (December) as part of the larger City budget proposal. Any budget decisions by Council should not affect the Deferred Compensation Committee Budget as the funds are not from any part of the General Government funding.

Tammy identified labor, postage and professional services as areas where adjustments for inflation were made. As requested by the Committee at the August meeting, Tammy also added \$5,000 per year for committee member training.

7) Review and Discussion: Administrative Fee Rate and Administrative Account Balance (Committee Action Item)

Greg Settle presented an analysis of the present administration fees and alternative fees compared to budget requirements and recommended reducing the fees by .005 basis points. He indicated there would be minimal risk in reducing the fees by such a small amount, but it would keep the account from building up as quickly.

Kari Louie asked the Committee if there were any questions. There was discussion on the timing of the change.

A motion was made to approve the reduction in the fees from .055% of assets per year to .05% of assets per year:

1st motion: Byron Allen
2nd motion: Michael San Soucie
All Approved, motion passed

Greg Settle indicated he would prepare language for the City to use when instructing the record-keepers to make this change and send it to Kari Louie by December 13th.

The Committee deferred discussion of how to manage current excess funds until the February meeting.

8) Hyas Group: Third Quarter 2024 Combined Plan Investment Performance Review (Committee Action Item)

Greg Settle noted that economic growth was up 1.6% and mortgage rates were also up; market analysts expected a strong year ahead with unemployment being down. It didn't appear that the federal government would be cutting interest rates in the immediate future.

He also reported that four presently available plan investments were noted as being in under-performance of the standards of the Plan's Investment Policy Statement (IPS), the Nationwide Fixed Account, the MFS Mid Cap Growth R6, the American Funds Global Insight R6, and the Vanguard Target Retirement Trust II 2065 Fund. Additionally, one other fund was in Watch status.

9) (#12) Hyas Group: Investment Policy Statement Update

Greg Settle presented an updated Investment Policy Statement (IPS), eliminating old language and outdated criteria.

A motion was made to amend the 457 Plan IPS as presented:

1st motion: Byron Allen

2nd motion: Shelby Fritz

All Approved, motion passed

Hyas Group will send a clean copy to the City for signature.

**10) (#14) Hyas Group: Secure Act 2.0 Optional Provisions Review and Discussion
(Committee Action Item)**

Greg Settle led a discussion covering most of the optional provisions of SECURE ACT 2.0 to include:

- Section 109: Age 60-63 Additional Catch-Up Contributions. MissionSquare and Nationwide confirmed their systems were ready to administer these provisions.
 - Michael San Soucie asked if it was mandatory for the City to participate in this provision. Greg Settle and Kari Louie explained that original interpretation was that it was mandatory, and the City chose to implement and program the change for communication to take place with Open Enrollment. This was discussed at the August meeting and today's action will serve to help with our updating our plan document.
- Section 306: Elimination of the First Day of the Month Ruler for new 457 Plan Contributions.
 - Byron Allen asked if there would be delays in getting this provision put into place and Kari Louie explained that this process was put into place in 2023 per the Federal requirements and today's action will only serve to update our plan document.
- Section 314: Penalty-Free Distributions for Victims of Domestic Abuse. This has a component that could allow employees to pay it back via payroll deduction if the City were to set that up.
- Section 328: Payment of insurance premium amounts for health care and long-term care insurance to first responders, rather than only directly to the insurer. This would not require any action on the City side.
- Section 331: Distributions and Loans for Federally Declared Disasters
 - Byron Allen asked about the criteria for the Disasters declarations, Greg Settle indicated he would check into the criteria further.

Greg said they are still waiting for more information from the federal government on the mandatory Roth Catch-up Contributions and Student Loan employer match options.

Kari Louie called for any additional questions, there were none.

A motion was made to amend the plan document to include Secure 2.0 sections 109, 306, 314, 328, 331 by the deadline imposed by act, and for the plan's recordkeepers when administratively possible.

1st motion: Byron Allen

2nd motion: Shelby Fritz

All Approved, motion passed

The Committee will review the remaining optional provisions in 2025.

11) (#15) 457 Plan Participant Survey Draft Update: Review and Discussion (*Committee Action Item*)

The Committee reviewed and discussed the latest draft of the participant survey that is being prepared for next year. Kari Louie recommended February 2025 as a possible date for distributing the survey. Michael San Soucie asked about including dual memberships regarding question #2. Discussion ensued and members asked that the question about years of participation in the various retirement plans offered by the City be revised to ask about additional years that participants may have from prior employers. It was determined that Greg Settle would work with Kari on the final revisions for the survey to be distributed to City employees.

12) (#18) Election of Committee Officers (*Committee Action Item*)

Kari Louie provided the background on the Committee Chair position. Chris Bacha was finishing the three-year term for a prior Chairperson who retired in 2023, which ends 12/31/2024. Chairperson terms are three-year terms per Committee bylaws. Kari asked for nominations, Shelby Fritz offered to fill the roll. No other candidates stepped forward or were nominated.

Kari called for a motion to vote Shelby Fritz as the new Chairperson effective 1/1/2025.

1st motion: Michael San Soucie

2nd motion: Byron Allen

All Approved, motion passed

Hyas Group will note this change and revise draft signatory documents that we assist with accordingly and address future communications to Shelby.

13) (#9) Hyas Group: Third Quarter 2024 Plan Review: MissionSquare Program

Greg Settle noted that as he identified at the August meeting, the Vanguard Target Retirement Trust II 2065 Fund continues to be in under-performance in matching fund performance to the benchmark index. MissionSquare has observed progress in Vanguard addressing this issue and recommended no action, and the Committee concurred.

Greg reminded the Committee that MissionSquare has stated that the former portfolio manager of the Plus Fund, Karen Chong-Wulff, will return to that position and not become the permanent Chief Investment Officer for MissionSquare once a new CIO is selected. Greg recommended keeping the fund on Watch, and the Committee concurred.

Greg reported that the MFS Mid Cap Growth Fund R6 is in under-performance and recommended that the Committee place this fund on Watch Status. Greg will bring an analysis that explains what has been happening with this fund to the next meeting of the Committee. A motion was made to place this fund on Watch status:

1st motion: Shelby Fritz
2nd motion: Byron Allen
All Approved, motion passed

Greg reported that the American Funds Global Insight R6 Fund is in under-performance and recommended that the Committee place this fund on Watch Status. Greg will also bring an analysis that explains what has been happening with this fund to the next meeting of the Committee.

A motion was made to place this fund on Watch status:

1st motion: Byron Allen
2nd motion: Shelby Fritz
All Approved, motion passed

14) (#10) Hyas Group: Third Quarter 2024 Plan Review: Nationwide Program

Greg reported that the Nationwide Fixed Account's performance continued to fall below the standards of the IPS in the second quarter, though Nationwide increased the crediting rate. The Committee left the fund on Watch status.

15) (#11) Nationwide: Service Delivery Report and Planning Discussion

Jim Keeler reviewed the Nationwide Plan Sponsor report noting the City's participant enrollment, those with online accounts, and percentage of participants, are on track for Retirement Readiness. Mike Ferguson said he regularly talks to retiring employees and acknowledged that Matt Frank with Tacoma Fire does a great job getting employees engaged in the plan.

16) (#13) Hyas Group: Legislative and Regulatory Update

Greg Settle briefly reviewed the Fiduciary Advisor Newsletter previously provided to the Committee.

17) (#16) Recording of Meetings

Kari Louie indicated as a follow up to the August meeting, this topic needed to be pushed to the February meeting as more research was being conducted.

18) (#17) 2025 Deferred Compensation Committee Annual Meeting Schedule

Kari Louie brought forward the 2025 schedule for the Deferred Compensation Committee meeting and asked for questions or concerns regarding the proposed schedule. None were voiced.

A motion was made to approve the 2025 meeting schedule as presented.

1st motion: Byron Allen
2nd motion: Shelby Fritz
All Approved, motion passed

19) Financial Advisor Request for Proposal (RFP) (Committee Action Item)

Kari Louie reviewed the contract and selection process history for the Deferred Compensation Committee Financial Advisor. Tacoma Employees' Retirement System (TERS) undergoes a similar process and have provided advisory input to the Committee in the past and they offered to assist in this process.

A motion was made to move forward with the RFP in 2025:

1st motion: Michael San Soucie

2nd motion: Byron Allen

All Approved, motion passed

More details will be discussed on the scope of this project at the February meeting.

20) Review of Meeting Action and Discussion Items for Follow-Up

- Further discussion of the management of the plan's current excess funds
- Hyas to provide analysis on the T. Rowe Price and American Global funds
- Hyas will provide follow up information to the City for implementation of the fee reduction, final IPS document, Secure 2.0 voluntary options, and employee survey as discussed/adopted by the committee
- Further discussion on the scope of the RFP for Financial Advisor

21) Questions/ Open Discussion/Housekeeping items/ Next Meeting Agenda

There was no discussion.

Motion to Adjourn

1st motion: Byron Allen

2nd motion: Shelby Fritz

All Approved, motion passed

Meeting adjourned 2:46 p.m.