

**Deferred Compensation Committee Quarterly Meeting
February 27, 2025 - Virtual Zoom/In Person Meeting
Tacoma Municipal Building, Room 243
1:00 p.m. – 4:00 p.m.**

Committee Members Present: Shelby Fritz, Human Resources Director – TMB
Kari Louie, Assistant Human Resources Director – TMB
Michael San Soucie, City Treasurer – virtual
Byron Allen, Joint Labor – virtual
Chris Bacha, City Attorney – virtual
Alex Yoon, Utilities Deputy Director – virtual

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: Joshua Haia, Local 31 – virtual
Tim Oster, MissionSquare Retirement – TMB

Minutes

The meeting began at 1:02 p.m.

1) Call to Order

Shelby Fritz, Chairperson, opened the meeting and welcomed all the participants.

2) Roll Call

Kari Louie, Michael San Soucie, Shelby Fritz, Byron Allen, Chris Bacha, and Alex Yoon were present at the meeting.

Shelby Fritz introduced Joshua Haia who was attending on behalf of Local 31 members in lieu of Allyson Hinzman.

3) Adoption of the Agenda (Committee Action Item)

A motion was made to accept the agenda as presented:

1st motion: Byron Allen

2nd motion: Chris Bacha

All Approved, motion passed

4) Public Comment

Shelby Fritz 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 December 5, 2024, Deferred Compensation Committee meeting:

1st motion: Chris Bacha

2nd motion: Byron Allen

All Approved, motion passed

6) 2025/2026 Biennium Budget Update

Tammy Liddle Lobban reviewed 2024 year-end budget versus actuals and current administrative account balances. She indicated a positive year-end expense variance due to the delay in invoicing from Morgan Stanley. Payments for Morgan Stanley's 2024 services posted in January, resulting in a negative ending balance of the City's operating account. A draw down of \$50,000 from the administrative accounts was requested following the normal procedure of replenishing the operating account on an as needed basis.

7) Hyas Group: Administrative Account Balance Review and Discussion (Committee Action Item)

Greg Settle discussed the administrative account balances with MissionSquare and Nationwide, recommending that the Committee return some of this balance to the Plan participants. Greg outlined options for reducing those balances through either a pro-rata allocation of assets to participant accounts or engaging a "fee holiday".

After discussion and answering questions from Committee members, a motion was made to direct Kari Louie and Greg Settle to develop an analysis of both options to be presented at the next meeting.

1st motion: Byron Allen

2nd motion: Chris Bacha

All Approved, motion passed

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

Greg Settle discussed the Markets and Economic Overview pointing out that with the change in federal administration we should expect market changes, possibly significant, over the next several months. 2024 ended strong with unemployment down but with a slight resurgence in inflation. He indicated that interest rates were not expected go up. The impending tariffs will impact the economy but it's uncertain by how much. He also noted that bonds had been down in the last few weeks and international markets were reacting to the promise of tariffs.

Greg noted that they are seeing increasing employee allocations to the Self-Directed Investment Option (SDBO) in both the Nationwide and MissionSquare programs and that Hyas Group will be closely monitoring this trend in future quarters.

Greg presented a comparison of the expense ratio and performance history of the T Rowe Price US Equity Research Fund that is presently offered in the Plan and the Collective Investment Trust (CIT) version of the fund that is also now available. He recommended that the Committee replace the mutual fund version of this fund with the CIT version, due to the lower cost and historically superior performance of the CIT version. The Hyas Group will assist the City with completing the required paperwork and instructing the recordkeepers to make this change.

Committee members inquired whether others have moved to this plan. Chris Bacha noted that the committee had previously used outside council for this sort of change and recommended doing that again.

A motion was made by Committee members to approve the change from the mutual fund to the CIT version.

1st motion: Chris Bacha

2nd motion: Alex Yoon

All Approved, motion passed

Greg reported that the American Funds Global Insight R6 Fund continues to be in under-performance of the standards of the IPS. He explained how the fund's higher allocation to foreign company stocks relative to peers and the benchmark largely explains the under-performance during the recent strong run of US equity performance compared to foreign markets, and how with that trend reversing in 2025 thus far, relative performance of the fund has rebounded. Greg recommended that the Committee keep this fund on Watch Status, and the Committee concurred.

9) Hyas Group: Fourth Quarter 2024 Plan Review: MissionSquare Retirement Program

Greg Settle reviewed the MissionSquare Performance Report for the fourth quarter of 2024 noting that the plan is doing well, and it was the best performing quarter ever.

Greg reported that Karen Chong-Wulff, the former Interim Chief Investment Officer for MissionSquare and Lead Portfolio Manager for the MissionSquare Plus Fund, had left MissionSquare following the selection of the new Chief Investment Officer, Doug Cote'. Hyas Group met with MissionSquare leadership about these changes and will continue to closely monitor investment management at the firm. Greg recommended keeping the fund on Watch, and the Committee concurred.

10) Hyas Group: Fourth Quarter 2024 Plan Review: Nationwide Program

Greg Settle reviewed the Nationwide Performance report for the fourth quarter of 2024. He noted that the Nationwide Fixed Account's performance continued to fall below the standards of the IPS in the fourth quarter, though Nationwide had increased the crediting rate. He will be revisiting this fund's performance with Nationwide before the next meeting of the Committee. The Committee left the fund on Watch.

11) MissionSquare Retirement: Service Delivery Report and Planning Discussion

Tim Oster provided a service delivery report for 2024. Some highlights included:

- MissionSquare has a new CEO & President – Andre' Robinson
- Improvements are coming including enhanced login and website experiences
- 70% of participants have registered on the website
- There has been a steady upward trend in new enrollments since 2021
- 50% of assets are held by former participants
- There are very few rollouts from the Plan, although high dollar loans were up
- There are no fees for using the Certified Financial Planner (CFP) services if the individual's account balance is \$50k or more
- MissionSquare offers CFP on site webinars

12) Hyas Group: Secure Act 2.0 Optional Provisions/Update

Greg Settle provided a brief update on the Secure Act 2.0. He indicated there is very limited information at this time on the Mandatory Roth-Catch Up provision. The federal government released much anticipated updates in January 2025, however, this led to more questions to be addressed. The federal government was taking public comment on the regulation clarifications through March with a public hearing in April.

Greg indicated he would be providing the Committee updates as more information came forward so we could address the compliance requirements. Michael San Soucie noted that with the upcoming City software changes and these delays with the Secure 2.0 legislation could be problematic due to time and resource limitations.

13) Hyas Group: Legislative and Regulatory Update

Greg Settle briefly reviewed the 2024 fourth quarter Fiduciary Advisor Newsletter previously provided to the Committee.

14) City of Tacoma Staff: Recording of Meetings/ OPMA Discussion (*Committee Action Item*)

As a follow up item from the December 2024 meeting, committee legal advisor Debra Casparian discussed whether the Deferred Compensation Committee meetings were required to comply with the state of Washington Open Public Meetings Act (OPMA). Discussion ensued. She noted that the OPMA is referenced in the Committee bylaws but those can be changed by the committee.

A motion was made to remove any reference to OPMA from the Bylaws.

1st motion: Byron Allen

2nd motion: Alex Yoon

All Approved, motion passed

There was discussion about whether to record the meetings going forward. Debra reminded the Committee that any recordings would still have to be retained records and would be subject to public disclosure requirements. Additionally, there was discussion that if the Committee meetings did not follow the OPMA, there would not be a legal requirement to post the meeting agenda and minutes.

Chris Bacha noted that software exists that will automatically transcribe audio recordings and as new developments take place with this for other committees at the City, the Committee could revisit this topic.

15) City of Tacoma Staff: Financial Advisor Request for Proposal (RFP) (*Committee Action Item*)

Kari Louie briefly recapped the process for the last Financial Advisor RFP. Shelby Fritz recommended that we follow a similar process and that she was recommending that the committee authorize Kari to take the lead in the logistics and administration of the RFP process (e.g., documents, timeline) working with the following individuals to all participate on a subcommittee that would serve as the Selection Advisory Committee (SAC) for the RFP. The subcommittee would provide their recommendation to the Committee for final approval:

- Kari Louie – Lead/Vice Chair
- Byron Allen – Joint Labor Committee
- Alex Yoon – TPU
- Tim Atwell – TERS
- Josh Haia – Fire

There was general discussion on how long the contract would be.

A motion was made to move forward with Shelby's recommendation and that the subcommittee would conduct the RFP process with a 10-year contract term for an initial 6-year period with two 2-year extensions available.

1st motion: Byron Allen

2nd motion: Michael San Soucie

All Approved, motion passed

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

- Debra to provide suggested language changes to the Committee Bylaws to remove reference to the OPMA
- The Financial Advisor RFP will move forward as designated by the Committee
- Kari/Greg to provide research and analysis on the options discussed to reduce the administrative account balances with MissionSquare and Nationwide and return funds to Plan participants
- The Committee authorized the change from the mutual fund version to the CIT version of the T Rowe Price US Equity Research Fund. Greg Settle will assist with getting this change coordinated with the recordkeepers.

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

- Results of the Deferred Compensation Employee Survey at the next meeting

18) Adjourn the Meeting (*Committee Action Item*)

Motion to Adjourn

1st motion: Unknown - this was not captured by Committee support staff

2nd motion: Alex Yoon

All Approved, motion passed

Meeting adjourned at: - Unknown – this was not captured by Committee support staff