

**Deferred Compensation Committee Quarterly Meeting**  
**August 22, 2024**  
**Virtual Zoom/In Person Meeting**  
**Tacoma Municipal Building, Room 243**  
**1:00 p.m. – 4:00 p.m.**

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

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

**Guests Present:** Tim Oster, Vice President, Relationship Manager - MissionSquare - TMB  
Gabriel Zamacona, Retirement Plans Specialist - MissionSquare - TMB  
Matt Frank, Local 31 - virtual

**MINUTES**

The meeting began at 1:03 p.m.

**1) Call to Order**

Chris Bacha opened the meeting and welcomed all the participants.

**2) Roll Call**

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

**3) Adoption of the Agenda (Committee Action Item)**

Motion was made to accept the agenda as presented with no changes:

1<sup>st</sup> motion: Shelby Fritz

2<sup>nd</sup> motion: Alex Yoon

All Approved, motion passed

**4) Public Comment**

Chris Bacha 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)**

Motion was made to approve the minutes from the May 23, 2024, Deferred Compensation Committee meeting:

1<sup>st</sup> motion: Kari Louie

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

All Approved, motion passed

**6) City of Tacoma Staff: Review of Administrative Account, Plan Budget Update**

Tammy Liddle Lobban reviewed the budget report and indicated that expenses were less this quarter due to a payment delay for Hyas. Chris Bacha asked if the issue was being resolved, and Tammy indicated it was and that the issue was due to a technology related payment delay between Hyas and the City.

Tammy Liddle Lobban reviewed the Administrative Account balances on-hand and with both MissionSquare and Nationwide. Greg Settle suggested that the Committee consider another fee redistribution, so the account doesn't build up funds. The Committee agreed to add it to the agenda for the December meeting for further discussion.

Tammy Liddle Lobban reviewed the Draft Deferred Compensation Plan Budget Proposal for the 2025-2026 Biennium. She noted that the indirect costs were higher due to unavoidable liability insurance cost increases, additionally the 2026 labor costs are expected to be higher.

Chris called for questions or comments on the proposed budget draft. Alex Yoon suggested adding education funds to the upcoming budget for committee members to attend the NAGDCA Conference and Shelby Fritz followed with the suggestion of possibly doing that closer to when we need the funds, and we knew more about costs involved. After further discussion, it was suggested that an additional \$10,000 be added for training and travel expenses, which would be \$5,000 per year of the biennium. There was discussion that committee members could alternate attending the NAGDCA conference.

A motion was made to increase the training and development funds in the proposed preliminary budget to \$10,000 for the next biennium, \$5,000 per year of the biennium:

1<sup>st</sup> motion: Alex Yoon

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

All approved, motion passed

A motion was made to adopt the proposed preliminary budget as amended:

1<sup>st</sup> motion: Kari Louie

2<sup>nd</sup> motion: Byron Allen

All approved, motion passed

**7) Hyas Group: Second Quarter 2024 Combined Plan Investment Performance Review**

Greg Settle presented the Second Quarter 2024 Plan and Investment Performance Report for the City of Tacoma 457 Deferred Compensation Plan.

Greg reviewed the current market and overall status of the economy. He indicated second quarter growth was very good compared to the first quarter of 2024. Third quarter activity has sent mixed signals. July unemployment was at 4.3%, which was the first time it was this high in years. There were significant corrections in the market with the yield curve compared to the end of the second quarter with the bond market and large cap stock funds on the NASDAQ and S&P 500 dropped significantly. However, currently as of the meeting date the S&P 500 rebounded and gained back what it lost. The market was up in all categories and at an all-time high, including international funds in spite of the conflicts with Ukraine, China, and the Middle East. He indicated there was a possibility that the third quarter could end up with markets at an all-time high and assets for both plans were performing at an all-time high.

**8) Hyas Group: Second Quarter 2024 Plan Review: MissionSquare Program**

Greg Settle reported 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. As this has not happened yet, he recommended keeping the fund on Watch, and the Committee concurred.

Greg reported that the Vanguard Target Retirement Trust II 2065 fund is in underperformance, in part, because of issues Vanguard has experienced in matching fund performance to the benchmark index, which they are addressing through cash-flow and rebalancing process revisions. He noted that in recent periods, the spread between the benchmark and the fund's performance has tightened up considerably and recommended no action, and the Committee concurred.

He reported that the performance of the American Funds EuroPacific Growth Fund continues to outperform the standards of the Investment Policy Statement. He advised taking the fund off Watch status, as it had been in compliance for several quarters and appears to be having a strong 2024. The Committee agreed and voted to take the fund off Watch status.

1<sup>st</sup> motion: Byron Allen

2<sup>nd</sup> motion: Michael San Soucie

All approved, motion passed

**9) Hyas Group: Second Quarter 2024 Plan Review: Nationwide Program**

Greg Settle reported that the Nationwide Fixed Account's performance continues to fall below the standards of the Investment Policy Statement (IPS) in the first quarter. He met with Nationwide in July to discuss this underperformance, and they have since agreed to increasing the crediting rate for the Tacoma Fire Fighter Plan. The Committee left the fund on Watch.

**10) MissionSquare: Service Delivery Report and Planning Discussion**

Tim Oster from MissionSquare presented information from the first and second quarters for 2024, which was outlined in the Plan Sponsor Review report provided to the committee, and provided the following information:

- There has been an increase in contributions from 2023 but fewer roll-ins. The top three receiving institutions for rollouts from MissionSquare are Charles Schwab, Fidelity, and Edward Jones. It was noted that the City's TERS pension system, which was on the report, related to service credit purchases for retirements.
- Loans were up and had been on a steady increase since 2022. Greg Settle added that other agencies are experiencing the same increase in loans and there is conjecture that people are using their funds to pay off other, higher interest debt.
- Tim introduced Gabriel Zamacona, Retirement Plan Specialist, the City's new MissionSquare representative. Gabriel spoke briefly about his history in the industry. Tim continued with the report highlighting the Education and Outreach results from their various emails to participants, noting the frequency of these which include frequent end user surveys.
- October is National Retirement Month, MissionSquare will provide the City a related flyer and has flyers in Spanish if the City needs them.

**11) Hyas Group: Legislative and Regulatory Update**

Greg Settle reviewed the Plan Fiduciary Newsletter provided to the Committee for the meeting and noted that the Treasury Department has released additional guidance on some of the optional provisions of Secure Act 2.0. MissionSquare and Nationwide are working to have most of them ready to implement by year-end.

**12) Hyas Group: Secure Act 2.0 Optional Provisions Review and Discussion**

Greg Settle indicated he will review progress with the various optional provisions of Secure 2.0 when preparing the agenda for the next Committee meeting, with a goal of being prepared to suggest Committee action on at least some of these provisions.

**13) 2024 457 Plan Participant Survey Draft Update: Review and Discussion**

Kari Louie and Greg Settle discussed the updates made to the draft participant survey, since the discussion that took place at the May committee meeting. The committee discussed the timing of when to send out the survey given the city-wide employee survey would be coming up soon, MissionSquare is sending out regular surveys, and the City's Benefits Open Enrollment is coming up this fall.

Chris Bacha asked what we were doing with the survey results and Kari responded that we use them to plan for our educational needs and they are also shared with MissionSquare and Nationwide, so they are aware of the effectiveness of their efforts as well.

Greg Settle asked if we could provide gift incentives for employees that filled out the survey. Chris Bacha and Kari Louie noted that this can result in some tax implications for employees. Kari suggested maybe we could consider awarding something for participation in relation to the Wellness Program under financial wellness and that she would look into this matter and report back at the next meeting.

The committee agreed that it would not do the survey until after the first of the year. Final Decisions on when to do the survey as well as approval of the final survey content was deferred to the December 2024 committee meeting.

**14) Recording of Meetings**

Kari Louie and Chris Bacha brought up the topic of whether the committee should consider recording committee meetings so that we can ensure that we have an accurate record of what was discussed, and decisions made during the meeting. Most other boards, commissions, and committees record their meetings at the City. Discussion ensued and it was noted that the TERS Retirement System Board does not record their meetings. It would create another public record and would be subject to public disclosure requests. There was discussion about whether the recording could be transitory for the purpose of staff creating the meeting minutes. Debra Casparian indicated that any recordings, audio, or video would be public record, regardless of how they are used.

Michael San Soucie asked if the committee meetings are required to be public meetings since this is employee money and not City money. Chris Bacha responded that previous advice was that it should be public as the City can still be subject to claims regarding decisions made.

Michael noted that the City's Investment Advisory Board meetings are not public meetings.

Chris Bacha asked that Debra Casparian do some research on this matter and further discussion was deferred to the December meeting.

**15) Hyas Contract (Committee Action Item)**

Greg Settle was asked to step out of the meeting at this point so the committee could discuss the Hyas contract. Kari Louie reviewed the history of the current Hyas contract:

- 2018 - RFP completed by City of Tacoma/Deferred Compensation Committee members.
- 2019 - Contract awarded to Hyas Group LLC for an initial 5-year term to expire December 31, 2023.
- 2024 -1-year extension (amendment) of contract as allowed by initial contract, which included a 5% increase in compensation bringing the total 6-year contract value to \$450,000.00, expiring December 31, 2024.

The current contract allows for one additional extension (for a total of two) and Hyas has agreed to continue the contract through December 31, 2025, at the same 2024 fees, which would bring the total 7-year contract value to \$456,000.00.

Chris Bacha called for questions and expressed that it made sense to extend the current contract.

Michael San Soucie asked questions about the previous RFP process, how many responses were received, and who makes the determination on who to choose. Kari responded that the proposal review and scoring was completed by a sub-committee of the Deferred Compensation Committee. Kari indicated that she would bring information on the last RFP and vendor selection process to the December meeting.

A motion was made to adopt the amendment for contract extension from January 1, 2025 – December 31, 2025, and for Chris Bacha to sign the contract extension.

1<sup>st</sup> motion: Kari Louie

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

All Approved, motion passed

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

- Deferred Compensation survey timeline and finalization
- Further discussion on the recording of committee meetings and whether the Deferred Compensation Committee meetings are required to be public meetings
- Final budget approval for the 2025-2026 Biennium
- Further clarification of Secure 2.0 optional provisions and actions to consider for 2025 or 2026
- Review of amended Investment Policy Statement (IPS) draft recommended edits from Hyas
- Discussion on the financial advisor RFP history, and 2025 process.
- Discussion of account fee redistribution

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

There was no discussion, meeting adjourned at 3:15 p.m.