

City of Seattle Voluntary Deferred Compensation Plan Regular Trust Committee Meeting Minutes

Wednesday, March 26, 2025, 9:30 am – 11:30 am
Hybrid Meeting

TRUSTEES present: Kimberly Loving, Jessica Jaeger, Jeffrey Davis, Dennis Karl, and Rick Sheridan.

STAFF present: Michelle Ell, Tony Dozier, Jesica DiCione (Plan Staff).

CONSULTANTS present: Ted Grigsby from Hyas Group; Michael Monaco and Gavin Parr from Mondress Monaco Parr Lockwood (MMPL).

GUESTS present: Jim Keeler, Susan Wilson, Kris Morton, and Frank McCafferty (Nationwide); Andrew Robinson (City Finance); Gary Smith (City Attorney's Office); Brittany Smith, Logan Wilson, Matt Bone (CLA).

BUSINESS

Opening: Rick Sheridan, Committee Chair, started the meeting at 9:33 am.

Introductions: Rick Sheridan welcomed attendees and asked for introductions.

Public Comment: No public comment.

Minutes of January 22, 2025 Meeting: Rick Sheridan requested a review of the meeting minutes.

MOTION: Kimberly Loving moved to approve the minutes. The motion was seconded by Jessica Jaeger and passed unanimously.

Plan Staff Update: Michelle Ell provided a Workday update, noting Deferred Compensation Plan Staff had completed an audit of leave cashouts for separated employees and issues that were identified by Plan Staff are being addressed in accordance with applicable guidance, in consultation with the Office of City Finance and legal counsel, Mondress Monaco Parr Lockwood. Ms. Ell also discussed compensation configuration issues within Workday as they relate to the Deferred Compensation Plan, and indicated Plan Staff would continue to work with legal counsel on issues related to the Workday implementation as needed. Ms. Ell also provided an update on the status of negotiation of the contract with Empower, the new recordkeeper, noting that Empower was currently reviewing requested changes and comments from Plan Staff and legal counsel. She indicated that she hoped this contract would be completed soon.

CliftonLarsonAllen LLP (CLA) Update: Brittany Smith provided the 2023 Audit Results, reviewing the audit scope and process, communications, and the audit opinion. She also discussed the upcoming 2024 audit and forthcoming changes to GASB auditing standards. Ms. Smith noted that the financial statement audit opinion for 2023 is unmodified, which is the highest level available, and there were no material weaknesses or significant deficiencies noted. She commented that the completion of the 2023 audit was delayed due to delays in receiving necessary reports from the City of Seattle Payroll, which was related to the City's implementation of the new payroll system. Jeff Davis asked if delays are

anticipated for the 2024 audit due to these same issues. Ms. Ell discussed the nature of the delays for the 2023 audit and expressed hope that the 2024 audit can be completed in the normal timeframe. Kimberly Loving mentioned that Jamie Carnell is a resource for the auditors.

Nationwide Q4 2024 Report: Jim Keeler discussed the Q4 2024 Nationwide plan overview. He reported that there was an increase in Plan assets of .04% for the quarter, with a quarter-ending balance of \$1.946 billion. As of December 31, 2024, there were 11,533 participants in the Plan with 9,895 online accounts, and 6,533 participants using the MIRP tool. There was an 11.04% increase in total contributions for the quarter, and a 13.65% decrease in total distributions. Mr. Keeler reviewed the contribution breakdown, noting an increase in Roth deferrals.

Susan Wilson presented information regarding one-on-one and group meetings with Plan participants during the fourth quarter. She reported 1,000 appointments, and 28 group meetings with a total of 1,022 attendees. Ms. Wilson also noted that there were 204 new participants in the fourth quarter, and a good number of employees increased their deferral contributions. Susan Wilson reported 2,281 calls were received by the call center in the fourth quarter with 81% answered within 20 seconds (down from 92% in the prior quarter) and 23 calls abandoned (up from 3 calls abandoned in the prior quarter). Rick Sheridan noted that this was a step back from recent progress that had been made with respect to the call center's performance and requested information regarding why there had been this increase in the rate of abandoned calls and decrease the percentage of calls answered within 20 seconds, and Jim Keeler mentioned he would research and follow-up with additional information.

Hyas Group Q4 2024 Performance Review: Ted Grigsby provided an overview of economic and financial market conditions, stating that there were broad themes present of a resilient strong economy, a strong labor force and a strong concern of inflation. Interest rates increased significantly in the fourth quarter, and the US dollar gained against international currencies, which was a headwind for international funds. Long-term treasury bonds were down for the quarter but have strongly rebounded so far in Q1, and US stocks performed well while the international markets underperformed. Growth outperformed value in Q4 across all categories.

Mr. Grigsby then reviewed the status and performance of the Plan's investment funds overall relative to their benchmark indices and peers, including review of the manager scorecard. He discussed the Plan's target date funds with Vanguard, noting that they have performed fairly well but do tend to have more allocation to international markets and the mid- and small-cap spaces than other target date funds, which was a headwind in Q4 but should help going forward. He also discussed why the 5-year return differentials for these funds as shown on the scorecard were larger than one might expect, explaining that this is related to the timing of when Vanguard historically made rebalancing adjustments relative to when the indices made adjustments (monthly vs. daily). This hadn't worked out in the funds' favor in recent quarters. He noted that the adjustments are now more harmonized and the gap is narrowing.

Mr. Grigsby next provided an update regarding the following funds currently on watch: Vanguard US Growth, American Century Mid Cap Value R6, Victory Sycamore Small Co Oppty and Artisan Small Cap Instl. He stated that all these funds were trending in the right direction, and Mr. Grigsby recommended maintaining them on watch status.

Mr. Grigsby then reported that the Brandywine Global Bond Fund underperformed peers and its relative index over the trailing 5-year period ending December 31, 2024. He noted that this was mostly due to a tough Q4 and Brandywine is performing well so far in Q1 and Hyas still feels good about this manager. However, Hyas still recommends placing the fund on watch per the investment policy statement.

MOTION: Jeff Davis moved to add Brandywine Global Bond Fund to the watch list. The motion was seconded by Dennis Karl and passed unanimously.

Mr. Grigsby next discussed the Calvert Equity R6 Fund which is currently on watch. He noted that this is a socially responsible fund that falls under the “Specified Assets” category of the investment policy statement, and since Calvert’s style is closest to large cap growth it is evaluated in comparison to other managers in the large cap growth space and using a benchmark of the Russell 1000 Growth Index. Mr. Grigsby reported that Calvert has continued to underperform in relation to peers and its benchmark index in this category when measured through the end of Q4, which has been in significant part due to lower exposure to the “Magnificent 7.” He noted that Calvert has also underperformed when compared to other socially responsible funds. For these reasons, Hyas is recommending a manager search for a potential replacement fund. He noted, however, that Calvert has performed very well in Q1 to date. Jeff Davis suggested that it may be appropriate for Hyas to look at other funds to consider in this category – i.e., not just for a potential replacement for Calvert but also look for potential additional funds to add to the line-up in the Specified Assets category. Mr. Grigsby mentioned that he would look into this and follow-up with additional information, but that one consideration may be the types of goals and objectives for the potential new funds. The Committee was supportive of Hyas conducting a manager search.

Mr. Grigsby noted that Plan assets ended the quarter at \$1,966,966,871. Plan fees for 2024 were at 0.267% overall, which includes Nationwide fees, administrative fees and weighted investment fees. It reflects a continued downward trend in fees.

Mr. Grigsby next presented the Administrative Fee Study results. The Plan currently applies an administrative fee of .09% of assets, which is deposited into the Plan’s capital preservation account. Mr. Grigsby reviewed the impacts of decreasing the administrative fee to .07% or .08%, and noted that the account may be expected to grow at the current fee level but may encounter growth challenges at the .07% level. Jeff Davis inquired regarding the most pessimistic scenarios for 8 basis points and 7 basis points and indicated that he is comfortable with 8 basis points and a possible rebate in the future. Rick Sheridan mentioned that he shares that perspective, and that the administration fee could be re-evaluated in the future.

MOTION: Jeff Davis moved to adjust the administrative fee to .08% as soon as administratively feasible. The motion was seconded by Jessica Jaeger and passed unanimously.

Legal Update: Michael Monaco updated the Committee on the status of the Empower contract, noting that comments and requested changes had been provided to Empower and were currently being reviewed by Empower. The requested changes fell into two broad categories: (1) legal matters, and (2) requests for additional services to be provided per issues identified by Plan Staff. Mr. Monaco noted that negotiation regarding these changes will occur, if necessary, but he has not heard back from Empower

regarding the requested edits as of yet. Mr. Monaco hopes to have the contract ready for signature by the next meeting.

Adjournment: Rick Sheridan moved to adjourn the meeting. Hearing no objections, the meeting was adjourned at 11 am.

Next Meeting: The next regular meeting is scheduled for Wednesday May 28, 2025, at 9:30 am PT. The meeting will be hybrid via WebEx.



Jeffrey S. Davis
Secretary, Deferred Compensation Plan Committee

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