

Approved

**457 DEFERRED COMPENSATION PLAN
MINUTES OF ADMINISTRATIVE COMMITTEE SPECIAL MEETING
September 22, 2014 at 1:00 p.m.**

Members in Attendance

Elizabeth Morrison, Chairperson
Eric Baird, ICT Business Services
Duane Hill, Accounting and Financial Reporting
Robin Romeo, Labor Relations (joined by phone at 9:35 a.m.)

Members Absent

Dayton Hostetler, Fire Department
Tammy Woodard, Human Resources and Development

Staff in Attendance

Claudia Kay, Human Resources and Development

Guests in Attendance

Greg Settle, Hyas Group – by phone

Copies of the Hyas Groups' *Small Cap Blend Manager Search Report – August 2014* were distributed prior to the meeting and, by reference, are incorporated into these minutes.

Elizabeth Morrison chaired the meeting.

At the August 18, 2014 meeting the Committee decided to add the Vanguard Small Cap Growth Index fund. However, after receiving an email from Claudia Kay on September 4 (see copy of email on page 3), the Committee decided to rescind that decision and asked the Hyas Group to conduct a small cap blend manager search for review during a special meeting to be conducted on September 22, 2014.

The Committee reviewed the report with Greg Settle. Greg explained factors to consider (e.g., underlying benchmark, peer group rankings, risk factors, cost, return and holdings) and the relevance of such factors, when comparing the funds featured in the report. The Committee was provided with information about Vanguard's use of the CRSP US Small Cap Index versus the Russell 2000 Index used by the other funds. Though not a defining factor when comparing funds, Greg noted that Vanguard does provide fee price breaks based upon combined assets in Vanguard funds held by clients.

Upon motion by Duane Hill, seconded by Robin Romeo, the Committee members present at the meeting unanimously decided to add the Vanguard Small Cap Index fund. (As Dayton knew in advance that he would not be able to attend this meeting, he cast his vote for the Vanguard Small Cap Index fund in a September 16, 2014 email.)

Minutes of September 22, 2014 Meeting
Page 2

Greg stated that he would report to the Committee at the next meeting about which benchmark to use to monitor the Vanguard Small Cap Blend Index fund.

Adjournment: As there was no further business to conduct, the meeting adjourned at 1:35 p.m.

Minutes of September 22, 2014 Meeting

Page 3

From: Kay, Claudia
To: z-PP-Def-Comp; Dayton Hostetler (ddlshos@yahoo.com)
Cc:
Bcc:
Subject: Action required - Adding Small Cap Index Fund

Sent: Thu 9/4/2014 8:54 AM

All,

Following the last Committee meeting, Elizabeth raised a question regarding whether a manager search should be conducted for a Small Cap Growth Index fund rather than just adding the Vanguard Small Cap Growth Index fund that was included in Greg's SMG manager search report. This was the sole index fund included in the report. Elizabeth also asked whether the Committee should also consider other types of small cap index funds, i.e., small value, small blend as well as or instead of small growth.

I asked Greg about this and he had a few thoughts:

1. The Vanguard SCG index is the fund they would recommend based on their search criteria, which includes management fees. Had there been another option, Hyas would have included it in the report. Greg suggests the Committee see how many participants enroll in the fund before considering adding other types of small cap index funds that might also be lightly utilized. The self-directed brokerage option exists to serve those who prefer non-core funds.
2. With this said, the Hyas staff reviewed the situation and believe adding a Small Cap Blend index option instead of the SCG index option would make more sense. Hyas would be able to prepare a report in about two weeks. Greg suggests that if the Committee wants to rescind its decision to add the Vanguard fund and can make a decision about the SC blend index fund before the next Committee meeting on November 14, then this fund could be added at the same time the Allianz is replaced with the Hartford fund. If you do not think the decision can be made until after the November meeting, then I will ask ICMA-RC to proceed with replacing Allianz at the next available opportunity. It takes them about 60 days from date of notification to add a fund.

Please let me know if you prefer option #1 or #2 above by using the voting buttons or just reply with your preference and/or questions. If the majority approve #2, then I'll ask Hyas to produce the search report and I'll schedule a meeting to discuss. I'm thinking you'll be able to arrive at a decision before the November meeting so I'll hold off on asking ICMA-RC to replace Allianz. However, if you disagree with holding off, let me know. If the majority select option #1, I will immediately notify ICMA-RC to add both funds. Thanks.

Claudia Kay

Sr. Total Compensation Analyst
Port of Seattle Human Resources & Development
P.O. Box 1209 Seattle, WA 98111
P: 206-787-3374
C: 206-303-9665
F: 206-787-3202