

**457 DEFERRED COMPENSATION PLAN
MINUTES OF ADMINISTRATIVE COMMITTEE REGULAR MEETING
November 18, 2015 at 9:00 a.m.**

Members in Attendance

Eric Baird, Co-Chair, ICT Business Services
Duane Hill, Accounting and Financial Reporting (arrived at 9:08 a.m.)
Dayton Hostetler, Fire Department
Elizabeth Morrison, Co-Chair, Finance and Budget
Mikel O'Brien, Labor Relations

Member Absent

Tammy Woodard, Human Resources & Development

Staff in Attendance

Claudia Kay, Human Resources and Development
Spencer Thomas, Fire Department

Guests in Attendance

Greg Settle, Hyas Group
Peter Hoerber, ICMA-RC
Jared Martin, ICMA-RC
Sonia Rogers, ICMA-RC
Steve Ebert, Nationwide

Agenda

- A. Minutes of August 17, 2015 meeting
- B. Plan Performance Report – 3Q 2015 and Financial Markets and Economic Report
- C. Money Market fund discussion
- D. The 457 Plan Fiduciary Advisor Newsletter
- E. Greg Settle's meeting with Washington State Department of Retirement Systems
- F. ICMA-RC Executive Summary Report – 3Q 2015 and plan updates
- G. ICMA-RC educational activities report – 3Q 2015
- H. Participant survey results
- I. Eric Baird's NAGDCA report
- J. Unforeseeable emergency hardship appeal
- K. Executive Session – Third Party Administrator procurement process
- L. January retreat topics and open discussion

Copies of the following were distributed prior to or during the meeting and, by reference, are incorporated into these minutes:

- Hyas Group documents:
 - o Performance Report for 3Q 2015
 - o The 457 Plan Fiduciary Advisor
 - o Financial Markets and Economic Report
 - o Money Market fund options
 - o Draft RFP timeline
- ICMA-RC documents:
 - o Executive Summary Report – 3Q 2015
 - o Education and Communication Activity Report
 - o Survey results

- o Adoption Package for 401 Profit Sharing Plan Document Restatement
- o Mobile app and online enrollment overview handouts

Elizabeth Morrison and Eric Baird chaired the meeting.

A. Minutes

The minutes were distributed electronically prior to the meeting. Review of the minutes was delayed until the next regular meeting since Duane Hill and Tammy Woodard were not present when the agenda item was introduced.

B. Plan Performance and Financial Markets Report

Greg Settle reviewed the Plan Performance Report and stated that the funds were all performing satisfactorily. Jared Martin stated the reduction in the asset-based fee paid by participants to 0.06% was implemented in July, but this is not reflected in the report.

C. Money Market Discussion

Greg provided information about changes coming to money market funds due to new regulations taking effect in late 2016, and the strengths and weaknesses of the various alternatives were presented. The Committee discussed participants' limitations on access to funds, fee complexity with the regulatory changes, and whether to replace the fund with a governmental money market fund. Jared said that there are ten participants currently using the money market fund and that Sonia Rogers could contact these participants in advance of any change the Committee might make.

Upon motion by Eric Baird, seconded by Duane Hill, the Committee unanimously agreed to stop enrollment in the Vanguard Prime Reserve Money Market fund.

Upon motion by Dayton Hostetler, seconded by Duane Hill, the Committee unanimously agreed to eliminate the Vanguard Prime Reserve Money Market fund, to map the assets to the Columbia Trust Stable Government fund and to inform participants in advance of the liquidity provisions of the Columbia Trust Stable Government fund.

The Committee further discussed stopping enrollment in the fund in the spring and then to eliminate the fund by October.

D. Fiduciary Newsletter

Greg provided commentary on several of the articles in the newsletter, including:

- Lifetime income options – At the most recent NAGDCA conference, three record keepers (Empower Retirement, Lincoln Financial and ICMA-RC) said they would record keep other record keepers products and would also let other record keepers administer theirs. Greg stated that several request for proposals that were issued recently have included questions about these products.

E. Washington State Department of Retirement Systems (DRS) Meeting

Greg stated that he, along with lobbyists from Kent, Renton, Everett and the Washington Association of Counties, met with Dave Nelson, Deputy Director of DRS, to communicate their concerns with requiring plan sponsors to offer the State's 457 plan. Mr. Nelson said that this is not a short-term objective and that they are not pursuing it at this time.

However, Mr. Nelson said that legislation is in the works for permitting auto-enrollment for state employees at a 2% contribution level with a 90 days opt-out provision. Participants would be permitted to withdraw their funds after 90 days if they elected to opt-out. Mr. Nelson's aide is checking whether the proposed state law would conflict with the state's garnishment law. Greg said that he would continue to advocate for auto-enrollment for all government employers if the garnishment law is not an obstacle.

F. ICMARC Executive Summary Report and Plan Updates

Jared Martin discussed the report with the Committee. He stated that the personal rate of return shown in the report is from 1/1/15 through 10/31/15.

In regard to the IRA information that ICMA-RC includes in its withdrawal forms and whether that presents a fiduciary problem for the Committee, Jared stated that the legislation is not final yet, that it applies more directly to the private sector plans, and that there is no new information to report at this time.

Claudia Kay briefed the Committee about loan arrears problems affecting four employees because information about setting up their loan deductions was not provided by ICMA-RC, and actions taken to prevent the loans from going into default. Jared said employees can refinance their loans and that he will continue to research how the report is prepared so future problems can be avoided.

Jared reminded Claudia that the restatement process to update the 401(a) plan documents needs to be completed by April. The IRS requires this to be done every six years. Claudia will complete the necessary portion of the documents, share them with the Committee, and find out who has authority to sign them.

G. Educational Activities Report

Sonia Rogers and Peter Hoerber presented their respective portions of the report. Virtual meetings continue to be popular, especially with the Police and Fire employees. Sonia distributed a handout about the mobile app that's available.

Jared said he would look into whether webinars conducted by Jim Reinke could be posted for a short period of time. ICMA-RC prefers to use Brainsharks to better control relevancy of information. Jared said ICMA-RC continues to pursue other types of technological enhancements. For example, representatives will have knowledge of any information provided to participants by other representatives. Also, ICMA-RC has invested into software that can consolidate various sources of income, including Social Security, and thereby optimize financial modeling for participants.

H. Participant Survey

The Committee reviewed the survey results. Jared said that there was a great response to the survey -- 290 employees; 100 had been the goal. Greg said that the survey results support using "through retirement" target date funds like the Vanguard Target Retirement funds in the plans, as long-term distribution of their accounts after retiring was the most popular distribution method indicated by participants, by a wide margin. The Committee discussed future educational efforts that show employees how Social Security, PERS, LEOFF and deferred comp work together.

I. NAGDCA Conference Attendees

Eric shared information and thoughts about some of the sessions he attended:

- many plans are struggling with the outflow of money from their plans and challenged by how to deter this
- more lifetime income options are available and interest in offering them is increasing
- participants may be inclined to move money out of plans in pursuit of an annuity
- opportunity exists for the Committee to differentiate any annuity option that might be offered with an attractive fee structure
- his attempts to obtain RFPs from other jurisdictions

J. Unforeseeable Emergency Hardship Appeal

Claudia said that a participant applied for a hardship and was denied by ICMA-RC. He was told that he could appeal to the Committee. Claudia reminded the Committee that at an earlier meeting they had discussed, but had not formalized by passing a motion, that if a case was appealed, that they would abide by ICMA-RC's decision. The Committee discussed what its role was in this process, fiduciary responsibilities/liabilities, and ICMA-RC's expertise in this area.

Upon motion by Mikel O'Brien, seconded by Eric Baird, the Committee unanimously agreed to defer to ICMA-RC decisions on hardship withdrawals and that there would be no appeals to the Committee.

K. Executive Session

The Committee convened into Executive Session at 11:35 to discuss the procurement process for the plans' third party administrator. The Executive Session was adjourned at noon.

L. January Retreat Topics

The Committee listed topics they would like included at the January retreat: lifetime income options, fiduciary training, a presentation by Jim Reinke, and enhancing communication with retirees.

Adjournment: The meeting was adjourned at 12:08 p.m.