

Approved

457 DEFERRED COMPENSATION PLAN MINUTES OF ADMINISTRATIVE COMMITTEE SPECIAL MEETING January 13, 2014 at 9:00 a.m.

Members in Attendance

Elizabeth Morrison, Chairperson
Eric Baird, ICT Business Services
Duane Hill, Accounting and Financial Reporting – arrived at 11:00 a.m.
Dayton Hostetler, Fire Department
Robin Romeo, Labor Relations – arrived at 9:50 a.m.
Tammy Woodard, Human Resources and Development

Staff in Attendance

Claudia Kay, Human Resources and Development

Guests in Attendance

Greg Settle, Hyas Group

Agenda

- A. Introduction of Robin Romeo
- B. Investment menu review and discussion
- C. Revenue and expense allocation review, discussion and next steps
- D. 2014 budget review and discussion
- E. Fiduciary training: (1) Basics for Governmental Plan Sponsors, and (2) Unforeseeable Emergency Withdrawal Process
- F. Roth 457 presentation, discussion, and next steps
- G. Communication goals and strategy, including Audit Item #2
- H. Legal Department's opinion on Audit Item #3
- I. Selection process for Represented Employee Representative position
- J. NAGDCA reports

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

1. Hyas Group's Fiduciary Committee Retreat Discussion booklet
2. Hyas Group's document – Article about Roth utilization in 401(k) Plans from 2006-2010
3. Hyas Group Chart: Correlation of investment asset classes
4. Internal Audit Report of 457 and 401(a) Plans – April 2, 2013
5. Internal Audit Report for 457 and 401(a) Plans – Exit Item Memo - March 19, 2013
6. ICMA-RC's 457 Plan Roth Options – Questions and Answers
7. Handout showing 457 plan participation by age brackets

Elizabeth Morrison chaired the meeting.

- A. Because Robin Romeo's arrival was delayed, Elizabeth Morrison opened the meeting by citing significant Committee accomplishments in 2013: (1) establishing a new, transparent fee

structure, (2) transitioning to lower revenue share classes, (3) developing and disseminating communications for the fee and share class changes, (4) monitoring investment options, (5) participating in fiduciary training and education, and (6) making hardship request decisions. When Robin arrived she provided a brief summary of her employment history and her experience as the chair of the City of New York's deferred compensation board.

- B. In addition to conducting a review of Section 1 of the booklet, Greg Settle distributed a handout that portrayed how closely one asset class correlated with another. Greg said that more plans are adding REIT funds because of their low correlation with nearly every asset category. However, there is low utilization of the REIT funds when they are offered.

Greg said he has also noticed more plans offering a passive mid-cap blend fund due to the challenges of identifying a capable mid-cap blend manager. Additionally, Greg stated that approximately 50% of Hyas' clients include money market funds in their line-up.

Greg noted that page 3 of the booklet shows gaps in the Port's line-up for a mid-cap equity value fund and an international equity value fund. After discussion of the current fund line-up with Greg, the Committee asked him to provide manager search results for mid-cap equity value and money market funds to the next meeting. Greg will also contact ICMA-RC about participant communication materials that address the equity wash and competing fund provisions that may apply to those using the money market option. The Committee decided not to have Greg conduct a manager search for a high yield bond fund or an international value fund.

Greg commented that some private sector plan sponsors are automatically enrolling employees into a designated target date retirement fund if the employees' assets are deemed not to be properly allocated. Greg will provide additional information at the next meeting regarding participants' options if they do not or did not want their assets reallocated.

- C and D. These items were discussed together. The Committee reviewed the information in Tab 3 of the Hyas booklet. The Committee decided that each plan would have its own Administrative Account, including the Executive plan. Greg said he would recalculate the amount to be allocated to each of the five plans. The Committee also affirmed that expenses would accrue toward each account in the same manner as revenue is distributed. ICMA-RC informed Greg that it would take them approximately one week to distribute the money from the current Administrative Account to the five individual accounts. The Committee asked that the five accounts be established at the end of the first quarter. Greg also said he would discuss with ICMA-RC the date for establishing the accounts and the method for calculating the fee, i.e., monthly or quarterly.

Greg stated he would draft policy language that details how revenue and expenses are to be allocated among the accounts, and that the Committee will have the opportunity to review the draft before the next meeting.

As the Port has agreed to pay the 401(a) Supplemental Savings and QPEP administrative fees, Greg will also discuss with ICMA-RC their ability to show on the statements the cost of the fee and the Port's payment of the fee.

The Committee asked that messages be included in the What's Happening email, Compass, HRD home page and ICMA-RC statement regarding the new fee arrangement and its transparency.

- E. Greg conducted a fiduciary training session that covered Basics for Governmental Plan Sponsors and the hardship review process. Greg informed the Committee about the federal regulations that guide the hardship review process as well as ICMA-RC's review process. The Committee discussed delegating the approval and denial process of hardship requests to ICMA-RC and to have a quarterly report that shows the total number of requests.

Upon motion by Duane Hill, seconded by Tammy Woodard, the Committee unanimously agreed to have ICMA-RC assume responsibility for unforeseeable emergency withdrawal requests and for ICMA-RC to report activities on a quarterly basis.

Greg offered to contact ICMA-RC regarding this change and to ask them to provide any necessary implementation documents.

- F. Greg provided an overview of the Roth 457 option and led a discussion of the advantages, disadvantages and challenges of implementing this feature. Greg said he would notify ICMA-RC of the Committee's desire to hear about ICMA-RC's experience with administering this feature. Greg stated he would also research whether the in-service Roth 457 conversion feature could be offered before Roth 457 payroll contributions were scheduled to begin. The Committee discussed the various departments that would be involved in the implementation and whether there could be possible conflicts with any bargaining agreements. It did not seem likely that implementation work could begin before the second half of 2014.

- G. The Committee developed a list of goals (listed below in priority order), the estimated duration of work effort for each goal, and the estimated begin date for some of the projects:

1. Complete communication of fee and share class changes by end of 1Q-2014.
2. Add Roth 457 feature: 6 months of work to begin 3Q-2014
3. Pre-retirement education: 1.5 months of work to create a draft plan with assistance from Hvas and ICMA-RC
4. Maximize use of ICMA-RC's communication resources, including outreach to underserved populations: 1.5 months of work to create a draft plan with ICMA-RC
5. Review lifetime income investment option: Q3-2014 or later depending upon availability of information.

Tammy Woodard stated she would have staff query HCM for various types of data to identify underserved populations. Also, HRD staff will have information on the HRD intranet updated to include information about "normal retirement age" to satisfy Audit Exit Item #2.

- H. The Committee reviewed Soojin Kim's email dated November 27, 2013 regarding Exit Item #3 and agreed with Soojin's opinion that it was not necessary to change the membership composition of the Investment Committee so that it would be different from the Administrative Committee. The

Committee also agreed that it was not necessary to revise the Administration Policy and Procedures to clarify the relationship between the two committees.

- I. The Committee discussed the selection process, how to make Committee participation easier for represented employees who have less flexible schedules, and what steps could be taken to orient new members more easily. Dayton Hostetler left the meeting at the conclusion of this discussion at approximately 3:30 p.m. The remaining Committee members continued discussion of the selection process in executive session.
- J. Eric Baird, Tammy Woodard, and Claudia Kay shared the highlights of their NAGDCA conference experiences. They stated that the Roth, regulatory updates, generational differences, and audit seminars were noteworthy.

Adjournment: As there was no further business to conduct, the meeting adjourned at 4:00 p.m.