

Approved

**457 DEFERRED COMPENSATION PLAN
MINUTES OF ADMINISTRATIVE COMMITTEE REGULAR MEETING
February 24, 2014 at 9:00 a.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.)
Tammy Woodard, Human Resources and Development (arrived at 9:20 a.m.)

Members Absent

Dayton Hostetler, Fire Department

Staff in Attendance

Claudia Kay, Human Resources and Development

Guests in Attendance

Greg Settle, Hyas Group
Peter Hoerber, ICMA-RC
Sonia Rogers, ICMA-RC
Ken Wedemeyer, ICMA-RC

Agenda

- A. Minutes of 12/2/13 and 1/13/14 meetings
- B. Plan Performance Report for Fourth Quarter 2013
- C. Manager search results for mid-cap equity value and money market funds
- D. Update on allocation of administrative fees and ICMA-RC's recordkeeping process
- E. Roth 457 planning discussion
- F. Plan Service Report for Fourth Quarter 2013
- G. Executive Session – discuss expiring term of Represented Employee Representative position

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

- 1. Hyas Group's 4Q 2013 Plan Performance Report
- 2. Hyas Group's sample Tri-Met flyer regarding distributions
- 3. ICMA-RC's 4Q 2013 Plan Service Report
- 4. Revenue share report through December 2013
- 5. Draft fee policy statement dated 1/26/14

Elizabeth Morrison chaired the meeting.

- A. Minutes of the meeting were distributed electronically prior to the meeting. This agenda item was not discussed until after Agenda Item E as a quorum did not exist at the start of the meeting.

Upon motion by Tammy Woodard, seconded by Duane Hill, the Committee unanimously approved the minutes for the 12/2/13 and 1/13/14 meetings.

- B. Due to lack of a quorum for the first ten minutes of his report, Greg Settle began his presentation with the Market Commentary portion of his report and then reviewed the Investment Policy Statement (IPS) Compliance report on page 24. No funds were on watch status.

When a quorum was gained with both Tammy Woodard and Robin Romeo present, Greg reviewed the performance of the funds and other salient points in the Market Commentary section. Greg pointed out the 70% growth of the combined plans since the RFP process was begun in 2010. However, contributions to the plans have been offset by distributions. The Committee reviewed the cash flow of each of the plans – the Police, Fire and Non-Represented employee plans all had negative cash flows. Outstanding loan balances are not considered a distribution and are included with plan assets.

The average 457 plan account balance is \$86,734; Greg said that \$50,000 is about the average account balance he sees with many other 457 plans.

Greg then returned to his review of the IPS Compliance Report on page 24 and conveyed the Hyas Group's concern with the PIMCO management team's lack of a solid succession plan should anything happen to Bill Gross. The Hyas Group has put PIMCO on watch status and Greg stated that the Port's IPS is broad enough to allow putting the PIMCO Total Return fund on watch status.

Upon motion by Duane Hill, seconded by Tammy Woodard, the Committee unanimously agreed to put the PIMCO Total Return fund on watch status.

Greg commented that although the manager of the T. Rowe Price Growth Stock fund is retiring, the Hyas Group is not recommending watch status for the fund because they are comfortable with how the change is being handled and the fund is continuing to perform well.

The Allianz AGIC Opportunity fund acquired a new management team in early second quarter of 2013. The fund performed well in the fourth quarter; however, this was not sufficient to pull the fund's year-to-date performance above the 78th percentile. The Hyas Group recommends putting the fund on watch as it would take a 46% return this year to restore the fund to an even position.

Upon motion by Eric Baird, seconded by Duane Hill, the Committee unanimously agreed to put the Allianz AGIC Opportunity fund on watch status.

The Committee reviewed the plans' revenue and expenses on page 30. Ken Wedemeyer explained that ICMA-RC will be sending an invoice to the Port for approximately \$3,000 because ICMA-RC was not able to collect its entire fee from the revenue sharing generated in the fourth quarter due to the change to lower revenue sharing arrangements in mid-December.

- C. Money Market Fund Manager Search: After Robin Romeo was introduced to those who had not met her at the previous meeting, Greg led a discussion of the Money Market manager search report for about twenty minutes. The report included five funds. The Hyas Group recommended and the Committee agreed that the Vanguard Prime Money Market fund was the preferred choice due to its track record consistency when compared to its peers, low expense ratio, and positive name recognition.

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

The Committee discussed how the equity wash provision would be communicated to participants both on a group and individual basis. Discussion included: (a) advantages of adding the fund along with a mid-cap value fund in May to avoid conflict with the messages in April about the new administrative fee arrangement, (b) information available on ICMA-RC's website, (c) internal messaging, and (d) Sonia Rogers including equity wash information in her presentations prior to the funds' implementation date.

Mid-Cap Equity Value Manager Search: Greg then reviewed the five prospective funds in the Mid-cap equity value report with the Committee for about an hour. He stated that the Hyas Group favors both the Hotchkiss and Wiley Mid Value fund and the John Hancock Mid Cap Value fund, with a stronger leaning toward the John Hancock fund. The Committee reviewed the management style of each fund, volatility, performance, and expense ratios. Greg suggested that the Committee may want to consider a fund that is more actively managed than the Vanguard Selected Value fund since the plans' line-up already includes

the Vanguard Extended Market Index fund, which is the index fund for the mid-cap funds. He further commented that the John Hancock fund has historically strong performance with not as much volatility. Greg also stated that the John Hancock fund is closing to new investors in the near future, which is a discipline that the Hyas Group appreciates. However, the fund will remain available to the plans if the Committee makes a decision relatively soon.

Because the manager search reports were not available in hard or electronic copy prior to the meeting and Robin was participating via conference and Dayton was absent due to illness, the Committee decided to convene via conference call and make a decision in the next two weeks about which mid-cap value fund to add.

Distribution flyer: Greg distributed a sample flyer that Tri-Met is using to dissuade participants from rolling money out of their plan and that could be used in tandem with ICMA-RC materials. The Committee suggested adding some explicit information about the Port plans' administrative fee and acknowledged the problems of providing information about retail company fees. Greg said he would make changes to the flyer and then redistribute.

- D. Ken Wedemeyer stated that the individual administrative accounts for each plan were established mid-January and each account currently has a zero balance. He also explained that the 0.075% fee is collected monthly and that the \$15 flat fee is collected at the end of the quarter. The revenue collected in January due to the 0.075% fee has been deposited into the omnibus Administrative Account. Following discussion of when to allocate the assets in the omnibus Administrative account, the Committee decided to have all allocations occur on April 1, 2014. The money collected in January will be allocated to each plan account in proportion to the amount collected and the remaining money will be allocated according to the formula Greg presented at an earlier meeting.

Tammy Woodard and Elizabeth Morrison asked that the Port be billed at the end of each quarter for the amount owed due to the new fee arrangement for the non-represented plan. Ken stated that he has already received instructions from the Port to rebate the money collected in January (due to the asset-based fee) to the 401(a) non-represented participant accounts and this is currently in process.

Upon Ken's request, Claudia will send him written instructions regarding the account allocations and billing process for the 401(a) non-represented plan that reflect today's decisions. Claudia will also update and redistribute the Fee Policy that was distributed to the Committee in January to incorporate necessary revisions.

- E. Tammy explained the duration and sequencing of various events that would need to occur before the Roth 457 option could be added. Tammy and Eric said they would check the availability of HRD and ICT resources and report back the results at the next meeting.

Ken said that ICMA-RC could add the Roth very easily when the Port is ready. He also mentioned that the Committee might want to add a Roth IRA. However, the Committee believed this would be a separate benefit plan and would need to be negotiated with the unions. Robin Romeo stated that adding the Roth 457 would not need to be bargained as long as it's part of the current plans. The Committee agreed that it would not be economical to have plans with different structures.

The Committee then discussed the need to have planning discussions earlier in the year rather than wait until the annual retreat in January. The Committee expressed interest in having a mid-year discussion that focused on communication topics and Tammy suggested that Laura Smith-Huda be included. Ken said ICMA-RC could develop a flexible business plan that covered approximately three quarters and could also measure the results. The Committee liked this idea and also wanted to gather input from employees about what they want to learn and types of seminars to attend.

- F. The ICMA-RC staff provided a half hour overview of the status of the plans and their activities. Ken conducted a review of the Plan Service report. Peter Hoerber and Sonia Rogers explained the types of education and enrollment activities that occurred during the quarter. Peter said that James Reinke has replaced Joyce Olenick. Their presentations were followed by discussion of averting rollovers out of the plans.
- G. The Committee entered into Executive Session at noon to discuss the term of the Represented Employee Representative position and ended the session at 12:05 p.m.

Adjournment: The meeting adjourned at 12:05 p.m.