

Approved

**457 DEFERRED COMPENSATION PLAN
MINUTES OF ADMINISTRATIVE COMMITTEE REGULAR MEETING
August 18, 2014 at 10:00 a.m.**

Members in Attendance

Elizabeth Morrison, Chairperson
Eric Baird, ICT Business Services
Duane Hill, Accounting and Financial Reporting
Dayton Hostetler, Fire Department
Robin Romeo, Labor Relations

Members Absent

Tammy Woodard, Human Resources and Development

Staff in Attendance

Claudia Kay, Human Resources and Development
Julia Tanga, Police Department

Guests in Attendance

Lee Arcamone, Small Cap Value Product Specialist, Neuberger Berman Genesis Trust (NBGT)
– called in
Sonia Rogers, ICMA-RC
Jared Martin, ICMA-RC
Michele Martin, ICMA-RC (arrived at 10:35)
Stephen Mazepa, Relationship Manager, NBGT
Jim Reinke, ICMA-RC
Greg Settle, Hyas Group

Agenda

- A. Minutes of 5/14/14 meeting
- B. Discussion of NBGT R6 watch status
- C. Plan Performance Report – 2Q 2014
- D. Small cap growth manager search to replace Allianz AGIC Opportunity Institutional fund
- E. Review Administrative Fee Policy and future Investment Policy revisions
- F. Plan Service Report – 2Q 2014
- G. 2015 work plan projects
- H. New Washington law permitting individual securities in 457 plans. Longevity annuities.

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

- 1. Hyas Group's 2Q 2014 Plan Performance Report
- 2. Hyas Group's Financial Markets and Economic Report and Plan Watch List for August 2014
- 3. Hyas Group's Small Cap Growth Manager Search Report
- 4. Hyas Group's August 4, 2014 letter – Ongoing Review of PIMCO's Investment Committee
- 5. Hyas Group's 457 Plan Fiduciary Advisor – 2Q 2014
- 6. ICMA-RC's 2Q 2014 Plan Service Report
- 7. NBGT handouts

8. Administrative Fee Policy
9. Investment Policy Statement
10. 2014-15 Work Plan
11. Revenue sharing report – June 2014

Elizabeth Morrison chaired the meeting.

- A. Minutes of the meeting were distributed electronically prior to the meeting.

Upon motion by Dayton Hostetler, seconded by Duane Hill, the Committee unanimously approved the minutes for the 5/14/14 meeting.

- B. Due to technical difficulties with initiating the conference call, this item was discussed after item D. Stephen Mazepa, Relationship Manager for Neuberger Berman Genesis visited the Committee, and together with Lee Arcamone, Small Cap Value Product Specialist from the firm who spoke via telephone, presented information about the management of the Genesis Trust R6 Fund. Following this presentation the Committee discussed the fund's performance and attributes, and decided to ask Hyas Group to perform a Small Cap Value manager search, to compare the fund to its peers and perhaps select a replacement. Hyas Group will present this manager search at the next meeting of the Committee. The fund, which holds approximately \$12M of participant assets, was placed on watch status last quarter and that status was not changed.
- C. This topic was addressed after items B and D. Greg Settle presented the Second Quarter 2014 performance report, in which he noted that the T Rowe Price Growth Stock Fund is struggling this year under its new portfolio manager. Hyas Group will be closely monitoring this fund, though they are not deeply concerned, as there has not been enough time to fairly evaluate the new portfolio manager.

Greg provided an update on the recent changes in senior management at PIMCO, and recommended keeping the PIMCO Total Return Fund on "Watch" status. He said he would provide another update on the changes to the PIMCO management team and the firm's development of a succession plan at the next Committee meeting.

Greg noted that the American Fund World Growth and Income fund was not in violation of the Investment Policy, yet given the size of the fund Hyas Group feels it may need to be evaluated more closely. Greg stated he would bring more information to the next meeting.

The Committee briefly discussed the NBG presentation.

Upon motion by Duane Hill, seconded by Eric Baird, the Committee unanimously agreed to request the Hyas Group to conduct a manager search for a small cap value fund.

The Committee observed that participant administrative fees are generating approximately \$131,000 of annualized revenue and that budgeted expenses are about \$92,000. Greg stated that he would provide information about fee levels at various fee rates and asset level assumptions at the next meeting.

- D. This was the first topic of the meeting. Greg presented a Small Cap Growth Manager Search report for alternatives to the underperforming Allianz AGIC Opportunity fund. After some discussion the Committee elected to replace the Allianz AGIC Opportunity fund with the Hartford Small Cap Growth Fund (HISCX). The Committee also voted to add a new index fund to the Plans' investment menu, the Vanguard Small Cap Growth Index (VSGAX).
- E. The Committee discussed the Investment Policy Statement, and the need to update it for new investments and asset classes, and to possibly amend some of the language in the document. Hyas Group will review the IPS, add information about the new funds, and make recommendations for changes to update and improve the document, and forward the updated document and suggested changes to Claudia for distribution before the next Committee meeting.

The Administrative Fee Policy was distributed to the Committee for final review and formal adoption.

Upon motion by Duane Hill, seconded by Dayton Hostetler, the Committee unanimously agreed to adopt the Administrative Fee Policy.

- F. Jared Martin presented the Second Quarter Plan Performance Report. He stated that ICMA-RC is on track to add the Vanguard Institutional Index fund on September 18. Jim Reinke and Sonia Rogers summarized the enrollment and educational activities they have conducted at various locations. Jim stated that he plans to conduct a few webinars in the near future.
- G. Due to limited time remaining for the meeting, the Committee focused on discussion of the timeline for adding the Roth 457. Claudia Kay will contact Lauren Smith about submitting a request to ICT for implementation assistance.

The Committee expressed its desire to view the materials and tools available through ICMA-RC to communicate the availability of the Roth 457 and how it differs from a regular Roth IRA. This information will be presented by ICMA-RC at a future meeting.

- H. The Committee asked that Greg be prepared to address an update on “Lifetime Distribution Investment Options” and the advantages and disadvantages of allowing investment in individual securities through the self-directed brokerage option at the January retreat.

Adjournment: The meeting adjourned at 12:34 p.m.