

**457 DEFERRED COMPENSATION PLAN
MINUTES OF ADMINISTRATIVE COMMITTEE REGULAR MEETING
March 9, 2015 at 1:00 p.m.**

Members in Attendance

Elizabeth Morrison, Chair, Finance and Budget
Eric Baird, ICT Business Services
Duane Hill, Accounting and Financial Reporting
Dayton Hostetler, Fire Department
Mikel O'Brien, Labor Relations (present until 3:15 p.m.)
Tammy Woodard, Human Resources & Development

Staff in Attendance

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

Guests in Attendance

Peter Hoerber, ICMA-RC
Jared Martin, ICMA-RC
Greg Settle, Hyas Group

Agenda

- A. Minutes of January 28, 2015 meeting
- B. Roth 457 in-plan conversion communication plan, update on adding individual securities to brokerage option, and update on data transfer reports between Wilmington Trust and ICMA-RC
- C. Pending state legislation mandating availability of state's DC plan – SSB 5435
- D. Plan Performance Report – 4Q 2014 and comparison of past versus current fund performance
- E. Discuss target date fund survey
- F. Regulatory review
- G. 2015 budget and potential participant asset-based fee adjustment
- H. Review Investment Policy Statement changes

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

- ICMA-RC documents
 - o 2015 Educational Work Plan
- Hyas Group documents
 - o Financial Markets and Economic Report – March 2015
 - o Total International Stock Index Institutional Shares 12-Month Fair Value Adjustment illustration handout
 - o Port of Seattle Defined Contribution Plans Historical Fund Changes – Performance Comparison
 - o Allocation Changes to Vanguard Target Retirement Funds – Hyas memo dated 3/2/15

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- o Sample Participant Survey Question Set
- o 457 Plan Fiduciary Advisor – Fourth Quarter 2014
- o Port of Seattle 457 and 401(a) Plans - Statement of Investment Policies and Guidelines – draft
- o Port of Seattle Investment Policy Statement for the 457 and 401(a) Plans – redline version
- Deferred Comp 2015 budget document
- 2015 Deferred Comp work plan

Eric Baird and Elizabeth Morrison co-chaired the meeting.

A. The minutes were distributed electronically prior to the meeting. The following corrections to the minutes were requested by the Committee (a) Page 4, section H: delete “for an employer match” in the first paragraph and “a presentation by” in the second paragraph; (b) Page 5, section J: change “Opposed” to “Abstained” in the third paragraph, (c) Page 5, section K: correct the spelling of “suing” to “using”.

Upon motion by Duane Hill, seconded by Mikel O'Brien, the Committee unanimously approved the revisions to the meeting minutes for 1/28/2015.

Upon motion by Duane Hill, seconded by Eric Baird, the Committee unanimously approved the meeting minutes for 1/28/2015.

B. Peter Hoerber distributed the 2015 Educational Work Plan and said it would be updated to include communication of the Roth conversion option in May and June via group sessions and webinars. He stated that the Roth in-plan conversion materials are undergoing ICMA-RC's compliance review and will be sent electronically to the Committee when available. Peter explained that ICMA-RC does not permit webinars to be archived on their website due to compliance concerns, but that he would see if they could be posted for a short duration.

Later in the meeting Tammy Woodard stated she would discuss with HRD-HRIS staff the possibility of adding the Roth deferral option in April 2016 if the information they need is provided by the end of 2015.

The Committee discussed with Jared how the availability of individual securities through the self-directed brokerage account option could be communicated. The Committee decided that availability of this option could be included in a message on Account Access and by notifying current brokerage option users directly.

Jared stated he has been working with Dale Parker at the Hyas Group to reconcile a couple of Administrative Account items and hopes to have this completed within the next week.

At the Committee's request, Jared said that he has prepared a Wilmington Trust PowerPoint document request that's a bit clearer than the one he presented at the last meeting. He said he would email it to the Committee and any questions about it could be discussed at the next meeting. Jared noted that Wilmington Trust did get bought out by Broadridge Financial

Services which is the parent company of Matrix. As a result, there will be a name change to MG Trust Company, LLC; but the services will remain the same.

C. Greg Settle stated that this is the second time legislation has appeared that mandates governmental entities using the state's pension plans to offer the state's 457 plan to their employees. The current legislation consists of two parts. One part would require auto enrollment of new state employees with a 3% contribution rate. The second part would require offering the state's 457 plan. Greg and the Committee discussed the undesirable consequences of passage of this legislation; the involvement of the Association of Washington Cities and other public sector associations; that the Port's lobbyist was aware of this issue, and that Greg had offered to testify if needed. Greg stated that the vote would occur on Wednesday if it occurs at all. If it is not voted on by Wednesday, then it will die. Dayton Hostetler said that he would speak with Thomas Sanchez if necessary to inform him that the state's plan is not necessarily advantageous for all entities.

(Upon mutual agreement, ICMA-RC staff left the meeting after this item was discussed.)

D. Greg reviewed the performance of the plan and its investments, noting that as of 12/31/14 no investments are presently underperforming the guidelines set forth in the Investment Policy Statement (IPS), with the exception of the Neuberger Berman Genesis R6, which was replaced earlier in the first quarter of 2015. He also noted that the American Funds Capital World Growth and Income R6 have rebounded this year after falling below the IPS performance guidelines last year.

Greg reviewed the "Fair Market Value" pricing adjustment that is applied by Vanguard to the Total International Stock Index Fund, resulting in deviations from the benchmark index. It was noted that the underperformance of the fund vs. the benchmark remains high at the five and ten year average return marks. Greg will conduct further research and report back to the Committee.

Greg discussed Vanguard's international securities allocation changes to the target date retirement funds and Vanguard's expectations that the changes will result in less overall variability and higher returns. The Hyas Group's opinion of the changes are memorialized in their memo dated 3/2/15 (they believe less volatility is likely going forward but that higher returns are unlikely) and they do not believe that any actions or participant communications are needed at this time.

Greg mentioned that the Vanguard Target Retirement 2060 fund was available, but not currently offered in the Port's plans.

Upon motion by Tammy Woodard, seconded by Mikel O'Brien, the Committee unanimously agreed to add the Vanguard Target Retirement 2060 fund.
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The Committee reviewed and discussed the handout titled *Port of Seattle Defined Contribution Plans Historical Fund Changes – Performance Comparison*. Greg noted where his firm had difficulty obtaining reliable historical data for some of the Invesco funds.

E. The Committee reviewed the handout titled *Sample Participant Survey Question Set*, discussed how survey results could be used to assess suitability of glide paths of target retirement funds as well as a possible guaranteed income option, and use of Survey Monkey as well as survey forms that Sonia Rogers could hand out. Eric, Duane and Dayton volunteered to work on finalizing the survey.

F. *The 457 Plan Fiduciary Advisor* was distributed prior to the meeting. Discussion focused primarily on the Department of Labor approving use of target date funds with a lifetime income option as a qualified default investment alternative (QDIA). Greg stated the portability challenge for these funds has not yet been resolved. The question of whether a safe harbor exists for the lifetime income option as a stand-alone option has also not been answered.

G. The Committee reviewed the budget document and discussed revising it to include IRS letter of determination fees for the police and fire 401(a) plans, future plan audit costs, and additional reserves that may be needed should assets diminish due to a market decline. The Committee also discussed a reduction to the asset based fee, the manner and timing of such a reduction, and communication of the change.

Upon motion by Eric Baird, seconded by Tammy Woodard, the Committee unanimously agreed to reduce the asset based fee to 6 basis points effective July 1, 2015 and to accompany it with communications to participants.
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H. The Committee discussed whether they preferred to update the current IPS or to use the Hyas Group model IPS instead. Greg confirmed that the Hyas Group would be responsible for keeping the document updated, but that the document was portable and they would have no ownership of it should the Hyas Group no longer serve as the plan's consultant.

Upon motion by Dayton Hostetler, seconded by Eric Baird, the Committee unanimously agreed to adopt the Hyas Group's model-based document to replace the Port's current Investment Policy Statement.

Adjournment: The meeting was adjourned at 3:26 p.m.