

**457 DEFERRED COMPENSATION PLAN
MINUTES OF ADMINISTRATIVE COMMITTEE MEETING
June 28, 2017 at 9:30 a.m.**

Members in Attendance

Elizabeth Morrison, Co-Chair, Finance and Budget
Eric Baird, Co-Chair, ICT Business Services
Duane Hill, Accounting and Financial Reporting
Dayton Hostetler, Fire Department
Milton Ellis, Labor Relations

Staff in Attendance

Anika Klix, Human Resources

Guests in Attendance

Greg Settle, Hyas Group
Corey Wiggins, ICMA-RC
Sonia Rogers, ICMA-RC
Jim Reinke, ICMA-RC

Meeting called to order. Duane Hill moved to approve the minutes from the March meeting and the Special meeting held in May. Eric Baird seconded. All in favor, none opposed. The minutes were approved.

ICMA-RC

Sonia Rogers reported that the pop-up events received very positive feedback and would like to do another one in the fall. On-site appointments and special appointments were conducted with employees at both the AOB and Pier locations. She met with one retiree in Puyallup and let some others know there is flexibility in meeting locations. Mailers were sent out to employees who qualify for the match.

Jim Reinke reported that two days per quarter are spent at each location and he conducted one off-site meeting. He fielded about 15 calls and emails from employees with questions. Recorded versions of the webinars are starting to pick-up. Some topics seem to have more interest than others. Employees are starting to get familiar with them and the process for signing up. Assistance was provided to retirees on portfolio re-balancing and other investment questions and issues.

Corey Wiggins presented the Q2 Executive Summary Report, Participant Services Report, and the On-Site Activity Report. He pointed out that there is steady growth in the 457 plan and positive trending. The group discussed demographics and asset allocations by age.

Online account access has increased quite a bit and is the most popular approach. A custom landing page is being designed for the Port of Seattle plan information. The mobile app is also increasing in usage. Text to access account information is useful for getting balances and rate of contribution. Loan balances are trending down from \$2.8 mil in Q2 2016 to approximately \$2.5 mil in Q2 2017.

The new fiduciary rules: The ICMA-RC roll falls under the definition of education in the new fiduciary rules and will not need to change any of the services provided to comply. Participants can get advice from MorningStar through the ICMA-RC platform and they do adhere to the fiduciary rules as written. Greg asked to provide a report for situations where participants ask about help with rollovers or

fiduciary responsibilities. Corey will provide a document for the Committee's review at the September meeting.

Credit to participant accounts: The Fire and Police plans received a credit to their plans on 6/6/17 and the 457 plan participants received their credit on 6/16/17.

The Columbia Fund implemented a 12-month put on the Stable Value Fund. Greg provided some context as to why they enforced it. Corey provided an option to wait to put the money into the account until the put expires. At that time, the Columbia Fund could be removed and the Plus Fund would be added which would be a plan-level transition from one fund to another to get better yields. . Ideally ICMA-RC would soft-close the Columbia fund transactions and add the Plus fund now so contributions would start going to it right away and people would get used to the lineup; however it puts two stable value funds into the system and we don't have a system set up to stop people from moving money between the Columbia fund and the Plus fund during the 90-day wash. If the Committee is ok with it, the Plus Fund could be added on 6/5/18 which could shorten the put but it will be a maximum of 12 months.

Details have been laid out to Craig Lombardi and they are creating a fix for the issue to accommodate the Port's request. More to come on the issue.

Auto-rebalancing feature: this provision is an opportunity for participants when they are making fund-to-fund transfers and establish a new percentage allocation to various categories. The auto-rebalancing feature would bring their account into alignment into the categories they select. It brings the risk back into alignment as well and maintains a certain risk profile. A notice was added to the site when employees click on it and it helps to explain what auto-rebalancing is. A video could be posted to explain it on the landing page (once it's created) or it could be an employer message to participants. It's a plan-specific feature so you could do it in one and not another if desired. No administrative fees for this feature.

Motion to add auto-rebalancing feature: Eric moved to offer it. Milton seconded. All in favor, none opposed. Motion carries.

Hyas Group

Greg Settle presented the Plan and Investment Performance Report for the Quarter ending 3/31/17. Only the Artisan Mid Cap Fund was in under-performance of the standards set forth in the Plans' Investment Policy Statement (IPS). I noted that as of 6/22/17 the fund had rebounded and was unlikely to still be underperforming when the quarter closes on 6/30/17. The Committee took no action and will revisit this fund at the next meeting.

Hyas Group reported that the Fidelity Strategic Real Return Fund is having a difficult year, and it is looking like it will again be underperforming the standards of the Plans' IPS at quarter-end. The Committee noted the volatile performance history of the fund and the fact that few dollars remain invested in it—less than .08% of combined Plan assets as of 3/31/17. The Committee directed Hyas Group to prepare a manager search for alternatives to consider at the next Committee meeting, and kept the fund on Watch.

The Committee and Hyas Group again discussed the \$50,000 of the reserve held in the Admin Accounts that is designated for future consulting expenses. After some discussion, the Committee decided that it will review potential future consulting needs and the accumulation of admin funds again in the near future, and then make final decisions regarding how much of these assets to retain in the Admin Account.

Legislative & regulatory update: President Trump allowed the fiduciary rules to go into effect as originally written. As a public organization we don't have to follow ERISA but it relates to the distribution and roll-in/roll-out advice provided.

Corey provided employee statistics (457 participation handout). Tammy provided total employee counts and Corey put together a report to highlight the participation rates for various age bands. It was noted that there is room for improvement on the participation rate particularly for under 39 years of age. The group discussed ways in which we could promote participation for new hires; additional communication, Sonia to maybe reach out, etc. Some ideas were discussed.

The general meeting was adjourned at 11:30 a.m. and the Executive Session commenced.