

## **1/15/2020 DC Annual Retreat notes**

### Committee members in attendance:

Tammy Woodard

Elizabeth Morrison

Duane Hill

Eric Baird

Milton Ellis

Taesan Hose

### Staff in attendance:

Anika Klix

### Guests in attendance:

Greg Settle, Hyas Group

Corey Wiggins, ICMA-RC

Sonia Rogers, ICMA-RC

James Reinke, ICMA-RC

Peter Hoerber, ICMA-RC

Mandeep Singh, ICMA-RC

### **Regular meeting called to order at 10:52am**

#### Minutes:

Elizabeth has a few edits on the Nov. minutes. Tammy moved to approve the minutes with requested edits from 11/13/19. Duane seconded to approve. All in favor. None opposed. Minutes approved.

**DC Budget Review:** The Committee reviewed the budget worksheet with updated numbers. The Hyas fee is \$65,000 and comes out of the Administrative fee and is a fixed cost. NAGDCA membership fee is also a fixed cost. Training, communication, and events. The NAGDCA conference will be in Seattle this year so that all committee members and Anika can attend without airfare or hotel costs.

Greg will get updated fund balance numbers and participant counts to update the spreadsheet. The committee will review the updated budget spreadsheet in our February committee meeting.

The committee had some discussion about whether or not the 457 plan has had any recent financial or performance audit. There was a performance audit some years ago, but there was no recollection of a financial audit being conducted. ICMA-RC does regular auditing and has the ability to look through their reports and Greg from Hyas will talk with them to see what we might do in regard to some type of audit or review.

**Pre-retirement seminars:**

There was some discussion about doing more pre-retirement events and include Medicare and social security speakers or maybe ask James Reinke to conduct some workshops on those topics.

Communication around their various resources they provide may be reviewed and disseminated.

We may consider doing a regular annual cycle of events or seminars.

**Updated “fees matter” flyer and Review and update of IPS:**

Hyas Group provided updated versions of the “fees matter” flyer; one for people who retire with \$300k and \$400k. The change in text includes loans for retirees and updating fee changes. The flyer may be used to send to Port employees who are ready to retire as part of off-boarding. It will be updated again when the target date funds reduce and possibly again if we are able to reduce our fees. Greg will add a disclaimer and “updated as of [date]” at the bottom of each version of the flyer so that we know which one is the current or latest version. The committee recommended a few text changes and Greg will update the flyer and will bring it to the February committee meeting.

**IPS Update:**

Greg walked the committee through some updates to the IPS document in a redline. All of the changes were based on changes in the index and funds, and not in policy.

Vote

Duane Moved to adopt the revised IPS. Eric seconded. All in favor. None opposed. Motion carries.

**Review of target date funds:**

Greg Settle from Hyas Group presented a summary Investment Performance Report for the quarter and year ending December 31, 2019. One fund was found to be in violation of the Plans’ Investment Policy Statement performance guidelines—the Artisan Mid Cap Value Fund. He noted that the fund finished the year with annual performance above that of its benchmark index of 2.99% and finished the year ranked in the 14<sup>th</sup> percentile vs. peer managers. No action was discussed by the Committee.

The Committee reviewed a draft budget for 2020. Noting the increase in assets over the past year and a projected accumulation of fees in excess of expenses, the Committee asked Hyas Group to provide updated fee account balance information at the February 19, 2020 Committee meeting, and to prepare a forecast of fee revenue at the present fee rate and at two alternative lower rates, stress-tested against a 25% correction in equity markets.

Greg noted that the recently passed SECURE Act will be changing several aspects of DC Plans, and we agreed that Hyas Group will provide an update on all of the important aspects of the Act at the February meeting.

Greg presented an updated version of the Investment Policy Statement, which reflected changes to some investments, changes in benchmarks to match those changes and update names. The Committee voted to approve the updated document. He will make sure that Co-chair Elizabeth Morrison has an electronic copy to finalize and sign, and she will then send a signed version to the Hyas Group.

The Committee discussed whether an audit of the 457 Plan is needed, and asked Hyas Group to review how often other Plans in the Port's size range conduct such audits, and to confirm what the estimated cost might be. We will provide this information at the February Committee meeting.

Greg presented the updated "Fees Matter" educational piece, and several edits were suggested. He will make the requested edits and present a revised document at the February meeting. He will also ask his team how soon a revised version can incorporate the new, lower expense ratios provided in the lower-cost share class of the Vanguard Target Date Funds, which will become effective in mid-February, and report back to the Committee at the February meeting.

He provided education about Target Date Fund design and construction and elements to consider in selecting a suite of these funds. In this process Greg presented information about PERS II participants (State and system-wide) that retired in 2018, showing how many had substantial pensions vs. not. The Committee asked if they could obtain from the Department of Retirement Systems similar, specific information about PERS II, PERS III, and LEOFF II retirees from the Port of Seattle. Greg will contact DRS and request this information. In the event that DRS will not release this information to me, he will notify Anika. It was agreed that if DRS will not release this data to him, that the Port will request it directly and forward it to him as needed.

**ICMA-RC** will put a share class change in account access about the vanguard target date fund expense reduction. Some edits will be made to the message based on committee feedback and posted in the next week.

#### **Training: Target Date Fund purpose: Theory and Design:**

Training was conducted for the Committee members present.

#### **Survey analysis and discussion:**

In order for Port employees to be ready for retirement, we would want to recommend that they sit down with a financial advisor to start planning. The Port population has a lot of variance in their situations. One idea was to setup a benefit check-in for employees to provide an opportunity to plan ahead, learn more about the benefits they have, and encourage retirement planning.

#### **ICMA-RC**

##### **Cyber Security update/refresher**

**Mandeep Singh from ICMA-RC, VP IT Security team**

ICMA-RC follows best practices in policies and procedures; physical, technical, firewall detection, etc.

People: last year ICMA-RC launched a security program with 50 associates. They met monthly and were able to provide information to share with others to raise awareness. Collaboration with HR included security awareness training and mandatory goals in performance reviews. Testing for phishing on a monthly basis was conducted and results shared with senior leadership. They are building a cyber risk management program to look at risks and last year introduced a cyber risk program that will continue to grow. Security team members obtain certifications as part of the mandatory goals.

Processes: The Sock II report was satisfactory – no issues were detected. They completed the tri-annual business impact analysis that ensures alignment with the business.

Technology: They have moved the data center to a more robust facility and have had record recovery times in regular exercises. They have conducted an evaluation of human behavioral patterns to detect strange behaviors and partnered with a security provider to look for any potential issues (scanned daily) then can proactively take action to remediate risks.

Account access and EZlink; enhance passwords have been implemented as well as face and touch ID for the mobile app. Enhanced one-time password and multi-factor authentication and the one-time password is being tested and they will get back to the Port with the timeline.

When hiring personnel at ICMA-RC, HR performs background checks on employees. Corey will follow up with additional information.

#### **Elder Abuse Prevention: Peter Hoerber**

ICMA-RC doesn't have a specific control around elder abuse but has an emphasis in addition to the controls for every participant. Abuse detection and prevention channels have stop gap measures in place including pin drop technology and other risk evaluations that are ongoing. Evaluation of risk and fraud controls are always operating on all channels. Strong password authentications are important. Behavioral-based automated risk assessment of IP address, GTO-location, devices mac address (fingerprint), OTP one-time-passwords is a secondary password authentication are in play. KBA knowledge-based authentication is a series of questions that are used so that only the participant should be able to answer correctly.

ACH initiations; vetting requires them to log in to their bank to validate the transaction. It ensures continuity for valid access. ACH instructions are no longer taken over the phone. Paper withdrawal requests will compare signatures, validate address changes and confirmations, and may be subject to other security steps.

ICMA-RC stays up to date on any current fraud or security concerns and continuously reviews scenarios and conducts training. With a POA, it can be legitimately determined that someone may actually be helping their parent. All calls are recorded. If a parent is getting assistance from a child on the phone, they will ask the participants for permission to speak with the child about the account. If issues come up, bring to the attention of Peter's office.

## **ICMA-RC – Recap of 2019 Services:**

### **Debrief of pre-retirement events and future planning:**

Overall, ICMA-RC was very pleased to meet with the pre-retirement group and appreciated the time it took to pull it all together. The second event went a bit smoother than the first, so experience helped.

A suggestion was made to hold quarterly sessions targeting the same group (near retirees). Maybe we could have a panel discussion of recent retirees to provide advice and to talk about planning for retirement.

Other ideas were retiree events and events for folks who are earlier in their career. Maybe a webinar would be useful. Mid-career demographics could help point to the tools available, budgeting, and topics we think are most important for mid-career employees.

### **Survey analysis and communication plan for 2020**

Corey shared with the Committee all of the marketing communications that they helped produce throughout 2019. Armando Llanes, the communications manager has left the organization and will be replaced soon.

2019 contract service guarantees were met and exceeded. Sonia reported that she received feedback that participants liked the online training. Some asked if they could do some small group presentations to learn about some of the tools and features. Website orientation has been helpful. On evening shifts, there wasn't much activity but some conversations with Sonia have been helpful to learn more. New hires: some say they got the information, and some say they never heard of the 457 plan.

James Reinke provided individual meetings and educational presentations of various topics. Other topics of interest were presented to some small groups around the Port.

PNEO: employees are already overwhelmed at the amount of paperwork and decisions they have to make. How do we take advantage of reaching new employees in the beginning of their Port career? Anika will send the PNEO schedule to Sonia to discuss the possibility of being at that location on the same day and maybe talk for a minute during orientation.

**Survey analysis from ICMA-RC:** participants are looking for basic access to information such as account access demos, promoting all the places where they can get access to information and resources, scheduling educational seminars and webinars in advance, brokerage account text, financial plans through ICMA-RC website, guided pathways tool, Roth, etc.

**Education seminar/webinar emphasis:** Withdrawal basics and income strategies, healthcare in retirement, guided pathways advice, index funds in our plans and what they do.

### **2020 Communication Planning**

Email outreach will occur throughout the year on some specific topics.

Recommendations for 2020 for cost estimates; follow-on to pre-retirement events and some on specific topics. Budget dollars to consider: snacks/drinks and other forms of communications that may cost extra. There will NOT be a RealizeRetirement tour in 2020. The costs are too high to run.

**Meeting adjourned at 3:55 pm**