

City of Seattle Voluntary Deferred Compensation Plan Regular Plan Committee Meeting Minutes

Wednesday, March 23, 2016 10:00 AM – 12:00 PM
Seattle Municipal Tower, Room 1940/46

TRUSTEES present: Teri Allen, Bill Alves, Susan Coskey (10:17 AM), Scott Fuquay, Glen Lee, Ken Nakatsu, Brian Smith

STAFF present: Renee Freiboth, and Kyle Miller, SDHR; Jeff Slayton and Engel Lee, CAO

CONSULTANTS present: Jake O'Shaughnessy (call-in) and Stuart Payment, Arnerich Massena, Inc.; Usha Archer, Prudential Retirement; Jeff Curnutt, Thorson Barnett & McDonald

GUESTS present: George Emerson, FAS; Jason Malinowski, SCERS; Robert Patton, SageView Advisory

BUSINESS

Opening: Teri Allen, the Committee Chair, started the meeting at 10:06 AM.

Introductions: All attendees introduced themselves.

Public Comment: Teri asked if there were any public comments. There were none.

Minutes of Last Meetings: The group reviewed the January 27, 2016 meeting minutes.

MOTION: Ken Nakatsu moved to accept the January 27, 2016 minutes without changes. Brian Smith seconded the motion. Upon a call for a vote, the motion was approved unanimously.

Contract Updates & Issues: At a previous Committee meeting, Jeff Curnutt was asked about the industry practice, and whether he had a recommendation, with respect to whether it should be the City or the Trust that should enter into contracts on behalf of the Deferred Compensation Plan. He indicated there is no universal practice but recommended the Trust rather than the City be the signatory party. The group held a general conversation about the City versus the Plan as the contracting entity. As the discussion became more detailed, Jeff Slayton suggested that the meeting continue in Executive Session.

MOTION: Susan Coskey moved to take the Committee meeting into Executive session for up to 30 minutes to review negotiations on the performance of publicly bid contracts. Brian Smith seconded the motion. Upon a call for a vote, the motion was approved unanimously.

Executive Session: Commenced at 10:37 AM and concluded at 11:07 AM.

MOTION: Ken Nakatsu moved to proceed with the assignment of the existing consulting contract with Arnerich Massena to SageView. Bill Alves seconded the motion. Upon a call for a vote, the motion was approved unanimously.

Susan Coskey asked City attorneys for a memorandum on the best approach going forward concerning contracts before entering into a contract with a record keeper.

Glen Lee left at 11:10 AM.

Moss Adams Contract: According to a previous meeting, Moss Adams has a verbal agreement to extend the contract by 2 years. This could be enforceable with a written agreement moving forward.

MOTION: Ken Nakatsu moved to extend the Moss Adams contract by two years in the same nature as the Arnerich Massena contract. Bill Alves seconded the motion. Upon a call for a vote, the motion was approved unanimously (Glen Lee and Susan Coskey not present).

RFP Update: We are moving forward as we discussed in the Special Committee Meeting on March 11, 2016, and these actions will take place during the first couple weeks of April.

Staff Update: Renee updated the Committee on the one-time contribution for retroactive pay. With the March 18, 2016 pay check, 440 employees contributed \$679,972.85 into their accounts. Staff will continue to make this outreach as other collective bargaining agreements are finalized. Susan Coskey mentioned the payroll glitch concerning the retroactive pay. Staff indicated that this error will not affect the one-time contributions unless someone received a retro when they shouldn't have. Staff will work with employees if there is an error and funds need to be retracted.

Renee discussed the participant letter concerning the Vanguard fund additions and the share class change of these funds which has been mailed to participants. The changes will occur at the end of April. She also presented the letter that went to employees who had a delayed contribution change in January due to the missing file upload. Those affected have been made whole and will be notified about the specifics in a letter from Prudential.

NAGDCA: The Annual NAGDCA this year will be in Denver on September 18-21.

Committee Agenda Planning: An annual agenda planning table is in draft and will be edited going forward to accommodate different activities throughout the year. Staff will bring this agenda to future meetings so adjustments can be made as the year goes on.

Prudential Retirement: Usha Archer presented the 2015 4th quarter Executive Summary for Prudential Retirement. Plan assets totaled about \$938 million at the end of 2015. Baby boomers still hold about 60% of the assets in the Plan, which is not unusual for a municipal plan. The average account balance is still strong and employee contributions are up \$3 million over the last year. Scott Fuquay asked why the increase in contributions didn't turn into a gain in account balances. Jake O'Shaughnessy stated that the markets were flat or slightly down for most of the year and participants were able to purchase funds at a discount over the past year through their payroll deductions due to falling stock valuations. Usha stated that 2,400 participants currently use more than one target date fund. This could be an opportunity for education, as they should be using only one fund. She noted an uptick in loans which could be an indicator of a down market.

Usha discussed Roth assets and how younger employees are taking advantage of this option. Bill Alves asked about the participation rates of generation Y and baby boomers. Usha will follow up with additional information. She also mentioned a program Prudential is developing to help participants reduce their student loans.

Scott Fuquay left at 11:40 AM.

Investment Policy Statement Review:

Susan Coskey left at 11:45 AM

Jake O'Shaughnessy presented the new draft investment policy statement ("IPS"). The presentation included a high-level summary and discussion of:

- The benefits of utilizing an IPS to describe the Plan's investment objectives and outline procedures and guidelines for meeting those objectives
- The benefits of consolidating the existing IPS documents into a single document
- ERISA's role in shaping investment best practices for governmental plans, despite governmental plans generally not being subject to ERISA
- Roles and responsibilities of the Committee and the Plan's advisors under the new IPS
- Fund selection and retention criteria (including benchmarking and "watch list" provisions)
- Use of self-directed brokerage windows.

Jeff Curnutt indicated that the draft IPS is consistent with the Plan document and follows current industry practices.

Adjournment: Ken Nakatsu motioned to adjourn; Brian Smith seconded the motion at approximately 11:55 AM.

Next Meeting: The next regular meeting is scheduled for Wednesday, May 25, 2016 at 10:00 AM in the Seattle Municipal Tower, Conference Room 1940.