

CITY OF PORTLAND
DEFERRED COMPENSATION COMMITTEE MEETING MINUTES
February 13, 2018 / 10:15 – 11:45
Columbia Square Building, 111 SW Columbia, Room 503, 5th Floor
Semi-Annual Report to Committee by Hyas Group

Present: Cathy Bless
Jennifer Cooperman

Administrative: Jeanine Keller
Ken McGair

Hyas Group: Jayson Davidson

1. Jeanine welcomed attendees.

2. Fourth Quarter 2017 Fund Performance Review

Market commentary – Jayson provided general market conditions for the second quarter 2017

- Jayson discussed “cryptocurrencies”. Bitcoin has emerged and gaining household recognition. He discussed the risks and attributes of these unique assets.
- Jayson discussed global headlines including U.S. tax reform bill, Germany’s efforts to form a coalition government and Saudi Arabia’s crackdown on internal corruption.
- Unemployment Rate is the lowest in 20 years at 4.1%; Consumer Price Index (CPI) remains stuck at around 2%.
- Interest Rates moving higher
- Equity Markets up 22% for 2017

Plan Activity Data

- Hyas reviewed Participant activity/information.
- Target Date Fund assets up from 9.2% to 9.8% as a percent of overall assets.
- Average Account Balance up from end of second quarter (\$125,724)

Fund Performance

- Current funds on watch – none
- The Victory Munder Mid-Cap Growth Fund was in violation of performance related investment policy criteria as of fourth quarter end.
- Cathy made a motion to put the Munder fund on watch and Jennifer seconded the motion. Unanimous vote to put on watch.

- Committee agreed to have Hymas to a Fund Manager search to review our next Hymas Report in August 2018.
- Hymas reviewed an ownership change at the TCW Group which is the parent company for the MetWest Fund. Hymas viewed this overall change as positive and they are not recommending any watch action at this time.
- The Vanguard REIT Index Fund was discussed. Vanguard announced several changes to the allocation and benchmark. The changes will eventually lead to a split, custom benchmark for the Fund. This is not scheduled to happen until the third quarter of 2018 and Hymas will adjust policy benchmarks accordingly at that time. The Committee may also give consideration to alternative REIT options as we weigh the impact of the benchmark adjustments.

Fee and Revenue Analysis

- Participants continue to experience cost savings on administration and fund manager fees since changing to zero-revenue-share funds in November 2013.
- Average total cost ratio on 12/31/2017 was .42% versus .43% on 6/30/2017.
- Jennifer asked about the Federal Money Market Fund.

Jennifer Cooperman moved to accept the Hymas Report. Cathy Bless seconded this motion. Committee voted unanimously to accept the Hymas Report.

3. Update on the Request for Proposal (RFQ)

- Fee reduction from .13% to .06% will occur on 3/20/2018.
- The Committee extended the Voya Contract to 8/31/2023
- Voya has extended a 12-month Put provision for its fixed account. This will provision must be cleared with the state insurance commissioner and will be added at a later date.
- Communication of fee reduction was reviewed and sent out around 3/20/2018.

4. Annual Review of Investment Policy

- Policy was reviewed and accepted by the committee.
- Updated version will be posted at the deferred comp and committee websites

5. Legal and Regulatory Updates

- Hymas reviewed a 2-year budget bill recently signed into law by the President does have certain provisions that effect hardship distributions. Hymas is its total impact and will provide more information at our next meeting.

6. Questions / open discussion –

- Committee discussed scheduling a fiduciary training session later in the year as a new member is expected to be appointed soon.

7. Next Meeting – March 7, 2018 – Voya Annual report to the Committee

8. Meeting adjourned