

CITY OF PORTLAND
DEFERRED COMPENSATION COMMITTEE MEETING MINUTES
February 21, 2017 / 10:15 – 11:45
Portland Bldg, 2nd Floor, Human Resources Conf Room 1
Semi-Annual Report to Committee by Hyas Group

Present: Cathy Bless
Jennifer Cooperman
Ken Rust

Administrative: Jeanine Keller
Ken McGair

Hyas Group: Jayson Davidson

Observers: Hanh Tran - City
Jennifer Yellott - Prudential

1. Jeanine welcomed attendees.

2. Fourth Quarter 2016 Fund Performance Review

Market commentary – Jayson provided general market conditions for the fourth quarter 2016

- Good job and wage growth for year-end
- Consumer Price Index (CPI) slightly below target
- Federal forecast for GDP 2.1% for 2017 which is slightly better than previous prediction.
- Historical Market Returns – Noted that Small Cap Market at the top for the fourth quarter.
- Since presidential election, in November broad equity markets rallied nearly 4.0%; small cap stocks rose 11%. Pro-growth tone for the markets continued throughout the remainder of 2016.
- US Dollar strengthened dramatically following the election
- European economic growth continues at a modest but consistent 1.4%
- Lower growth in China continues to weigh on global economic growth

Plan Activity Data

- Hyas reviewed Participant activity/information.
- Not much change in participant plan allocation elections
- City of Portland average account balance is at \$115,137 – one of the highest among Hyas clients
- Estimated 4th quarter average return among all asset classes was 0.92%

Fund Performance

- Current funds on watch
 - JP Morgan Large Cap Growth
 - Oppenheimer Global
 - TIAA Cref Social Equity (Replaced January 13, 2017 with the Vanguard FTSE Social Index Fund)
- JP Morgan Large Cap Growth remained in violation of police parameters as of fourth-quarter end though strong relative performance improvements for the start of 2017 were noted.
- Oppenheimer Global fund's performance as of fourth quarter-end was in full compliance of policy parameters.
- The Committee reviewed Hyas' report and recommendation on the JP Morgan Large Growth Fund and the Oppenheimer Global Fund and agreed to keep these funds on watch.
- Hyas noted that the 2060 JP Morgan target date fund is now available. Committee moved discussion of adding this fund to the August 2017 meeting.
- The JP Morgan 2015 target date fund is expected to be blended with the JP Morgan Income target date fund some time in 2017.

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 12/31/2016 was .436% versus .498% on 12/31/2015.

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

3. Update on socially responsible fund change:

- Fund transition occurred January 13, 2017 from TIAA Cref Social Equity Fund to the Vanguard FTSE Social Index Fund. Number of participants affected was 723 with a total of \$16,366,754.70 in assets transferred.
- Administrator reported no calls from participants which indicates a smooth transition

4. Review updated Investment Policy

- Update was done due to the fund transition from TIAA Cref Social Fund to the Vanguard FTSE Social Index Fund.
- Cathy Bless moved to accept the policy change and Jennifer Cooperman seconded the motion. Committee unanimously voted to accept the update.

5. Update on JP Morgan CIT target date suite historical data

- Noted that Hyas group uses JP Morgan Target Date Fund fact sheets which shows additional information versus the Morningstar fund fact sheets.
- Administrator uses Morningstar version to send to new enrollees.
- Agreed that the City will continue to make Morningstar version available to participants. Jeanine and Jayson will review for next meeting in August 2017.

6. Update on Stable Value Information at City Website

- Adjustments were made to the website, Committee requested further review to improve communication to participants.
- Cathy, Jayson and Jeanine will work on drafts for Committee review and report back by email.

7. Update on Conseco Fair Fund Settlement

- Jeanine provided update on search process for locating 55 individuals who no longer have a deferred comp account.
- Committee agreed that some reimbursements can begin to 23 participants whose information was verified by City Attorney and Benefits office.
- Committee requested further review of a confirmation process in reaching out to 32 remaining participants.
- Jeanine and Cathy will review confirmation process and report back to Committee by email

8. Legal and regulatory updates

- Hyas discussed the likelihood of the much discussed new fiduciary rules being rescinded.
- Hyas communicated that they expect a delay in implementation and that it is very likely the rules will be adjusted to some degree or rescinded entirely.
- Hyas will continue to monitor the situation and will provide updates as warranted.

9. Questions / open discussion – No further items were discussed.

10. Next Meeting – April 18, 2017 – Executive Session - Voya annual report to the Committee.

11. Meeting adjourned