

CITY OF PORTLAND
DEFERRED COMPENSATION COMMITTEE MEETING MINUTES
September 8, 2016 / 2:00-3:30
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
Rasch Cousineau

Observer: Hanh Tran - City
Bishop Bastien - Voya

1. Jeanine welcomed attendees.

2. Second Quarter 2016 Fund Performance Review

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

- Hyas reviewed their new feature for their semi-annual reports – an executive summary of market conditions.
- Jayson gave Hyas' assessment of the United Kingdom's exit from the European Union. Noted were significant uncertainty and volatility in global financial markets. Also Jayson noted the economic globalization is here to stay and those electing to isolate themselves from the rest of the world do so at great economic risk.
- Second quarter GDP economic growth was 1.2 percent which was below forecasts of 2.6 percent. Unemployment continues to fall resting at 4.7 percent as of May 2016.
- Feds are hinting of an interest rate increase prior to year-end.
- Historical Market Returns – noted that Commodities were ranked at the top of the list for the second quarter 2016.
- Committee asked about the effect of the upcoming presidential race on markets. Hyas noted that historically there is not a lot of effect.

Plan Activity Data

- Hyas reviewed Participant activity/information.
- Hyas noted the City's Asset Allocation asset levels are still lower than market average. These funds are still rather new to the City lineup. It

was also noted that the new enrollee default investment election are the target date funds based on year of birth. Committee will review these asset levels in 12 months to see if targeted education is warranted.

- Average Account Balance is at an all-time high.

Fund Performance

- TIAA Cref Social Choice Equity Institutional Fund remains in violation of performance-related investment policy parameters and will thus remain on watch.
- Noted that the Becker Value Equity Fund was struggling but not in violation of investment policy guidelines.
- The Committee reviewed Hyas' report and recommendation on the JP Morgan Large Growth Fund and the Oppenheimer Global Fund.
 - Jennifer Cooperman made a motion to put JP Morgan and Oppenheimer funds on watch. Cathy seconded the motion. Vote was unanimous to put these funds on watch due to five-year benchmark underperformance for the period ending June 30, 2016.
- Committee requested Hyas conduct a Fund Manager Search to evaluate possible replacement options for the TIAA Social Choice Equity Institutional Fund. Jayson will work with Jeanine to schedule an interim Committee meeting once the search report is complete.

Fee and Revenue Analysis

- Participants continue to experience cost savings on administration and fund manager fees since changing to zero-revenue-share funds. Current average participant annual cost for the 2nd quarter 2016 is \$374 versus 2nd quarter 2015 of \$415.
- Expect more cost savings with implementation of CIT Target Date Fund lineup effective 8/20/2016.
- Committee requested Hyas provide an estimate of total savings since the plan converted to the new price structure on November 18, 2013 and include this savings in their semi-annual report.

Jennifer Cooperman moved to accept the Hyas Report. Ken Rust seconded this motion. Committee voted unanimously to accept the Hyas Report.

3. Update on JP Morgan CIT target date suite implementation:

- Voya provided to the City a summary of the CIT target date fund transition on 8/19/2016.
- Deferred Comp Administrator, on behalf of participants, requested additional investment data including spliced historical performance numbers. Hyas is awaiting response from JP Morgan.

- Voya Regional Senior Vice President, Bishop Bastien, stated Voya is working on integrating Morningstar reports for the CIT target date funds onto the deferred comp custom website.

4. Update on Money Market Fund transition

- The approved transfer of assets from the Vanguard Prime Money Market Fund to the Vanguard Federal Money Market Fund took place 8/19/2016.

5. Annual Deferred Compensation Budget Review

- 2015-2016 fiscal year budget was reviewed. Final cash reserves Benchmark for Committee review of the City Administrative Fee of 4 bps was reviewed. No change to the City Admin fee of 4 bps is warranted for fiscal year 2016-2017.
- Hymas and the Deferred Comp Administrator will update the report to show year-end cash reserves and the benchmark for review of City Admin fee.

6. Annual Investment Policy Review

- Hymas reviewed the red-line draft of the policy. Changes were housekeeping for the most part. Hymas will prepare a final version for Committee signature.

7. Legal and regulatory updates (discussion only)

- Hymas provided information on the pending, new Fiduciary regulations.

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

9. Next Meeting – TBD to review fund manager search.

10. Meeting adjourned