

## 5/21/2020 Deferred comp committee meeting for Q1 2020

Committee members in attendance:

- Elizabeth Morrison
- Eric Baird
- Milton Ellis
- Duane Hill
- Taesan Hose
- Shawn Griffin

Staff in attendance:

- Anika Klix

Guests in attendance:

- Corey Wiggins
- Sonia Rogers
- Greg Settle

**Motion to approve minutes from Feb. 2020 meeting: Eric moved to approve the minutes.**

Seconded: Milton Ellis

Role Call:

- Elizabeth Morrison yes
- Eric Baird yes
- Milton Ellis yes
- Duane Hill yes
- Taesan Hose yes
- Shawn Griffin yes

Opposed: none. Minutes approved.

Introduction of new Committee member: Shawn Griffin introduced himself to the committee. He's a Sergeant with the POSPD. Shawn has been with the Port for 7 years. In charge of the bike team and has been interested to serve on the committee for a few years.

### **2020 Budget vote:**

NAGDCA may or may not happen but it was suggested to leave it in the budget for now until it's official.

Motion to approve the 2020 budget: Eric Baird

Seconded: Duane Hill

Roll call:

- Elizabeth Morrison yes
- Eric Baird yes
- Milton Ellis yes
- Duane Hill yes
- Taesan Hose yes
- Shawn Griffin yes

Opposed: none. Motion carries.

Hyas Contract update: There was unanimous consent to extend the Hyas contract for the next 3 years; Anika is working with CPO to get the amendment written up and signed.

Hyas Group:

Greg Settle presented the Plan and Investment Performance Report for the quarter ending March 31, 2020. One fund was found to be in violation of the Plans' Investment Policy Statement performance guidelines, the DFA Targeted Value Fund. Comments on this fund and the two funds presently on Watch status are discussed in further detail below.

The DFA Targeted Value Fund had a difficult first quarter during the onset of the unique Covid-19 crisis, putting the fund in underperformance of the Investment Policy Statement. Considering that the fund also had sub-standard performance in three of the four prior years, the Committee voted to place the fund on Watch.

**Vote: motion to put DFA US Targeted Value fund on watch**

Motion: Eric Baird

Second: Milton Ellis

Roll call:

- Elizabeth Morrison yes
- Eric Baird yes
- Milton Ellis yes
- Duane Hill yes
- Taesan Hose yes
- Shawn Griffin yes

None opposed, motion carries.

The American Funds Cap World Growth and Income R6 Fund continued to be in compliance with the performance standards of the Plans' IPS in the first quarter. However, the Committee decided to keep the fund on Watch.

The Artisan Mid Cap Fund had a strong performance year in 2019 and has excelled in the first quarter of 2020 in spite of the Covid-19 crisis, and year-to-date through May 19, 2020. The Committee voted to remove the fund from Watch status.

**Vote: motion to take Artisan Mid Cap fund off watch**

Motion: Milton

Second: Duane

- Elizabeth Morrison yes
- Eric Baird yes
- Milton Ellis yes
- Duane Hill yes
- Taesan Hose yes
- Shawn Griffin yes

None opposed, motion carries.

The Committee discussed the 2018 draft of the Plans' Fee and Expense Policy. The Committee instructed Hyas Group to edit the document to remove a reference to a specific fee rate, (to make the document more durable over time) and to revise the policy for retaining assets in the fund to provide for more flexibility in times of crisis; and to make this policy an attachment or appendix to the Plans' Investment Policy Statement. Greg will make those edits and send the revised draft to Anika and Elizabeth for review and comment by June 12, 2020. Once finalized, Greg will prepare a draft for review and possible adoption by the Committee at the August meeting.

Greg led an updated discussion of the SECURE Act's optional features. The Committee had some questions about the Qualified Birth or Adoption Distribution (QBOAD) feature, and ICMA-RC reported that due to their sudden focus on implementing the CARES Act features, their timeline for being able to implement this feature is unclear. We also discussed the age 59 ½ In-Service Distribution feature for the 457 Plan, and ICMA-RC again reported some uncertainty about the timeline for being able to implement. The Committee took no action on either item at this time. Greg will provide answers on the Committee's QBOAD questions by May 29, 2020 and the Committee will revisit these topics at the August Committee meeting.

**Optional CARES Act provisions**

**QBOAD Qualified Birth of Adoption:** taxable withdrawal but no early withdrawal penalty  
CARES Act provisions have dominated the plan document adjustments, communications, etc. and do not currently have a document to adopt but can administer it (ICMA-RC). We don't need to formally amend the plan document until 2024. We can formalize it via a memo/letter.

The Committee discussed waiting on this option until we have clarification on the \$5,000 per birth/adoption or per parent for birth/adoption (i.e. twins). ICMA-RC will ask about it with other organizations and do more research for our next meeting.

**Penalty-free qualified disaster distribution up to \$100,000 from a qualified plan:** not relevant for Port of Seattle

**Option to reduce in service distribution age to a minimum of 59 ½ years:** This could be helpful to participants who have a retired spouse and are still working; advantageous in near retirement years;

ICMA-RC does not have the election document yet but may be ready to implement (Corey to check). No other groups have yet engaged this but there is agreement that it's a good thing to implement. The Committee would like to discuss/vote at the next meeting after we get more information from ICMA-RC.

**Fees Update:** reducing from 4% to 3% basis fees

We have already made the change to 3 basis points as of March 1<sup>st</sup> but didn't show up on the quarterly report because the first time it will be assessed with be early April. Communication is on the ICMA-RC website.

**Fee Policy update:** Greg shared a redline and will add additional changes and send for feedback. The Committee will take another look at it during the meeting in August.

### **ICMA-RC:**

One site service report: Sonia – Q1 activities

The year started strong. In early March we started to work remotely and shifted to virtual meetings. Positive feedback was received on the 1-1 account access training and help with setting things up. Sonia reached out to employees eligible to receive the match or haven't increased their contributions. For example, if a participant was under contributing, they received an email and a copy of the HCM instructions. A lot of people don't have email addresses in account access, so snail mail is used to mail them a flyer and HCM instructions.

Calls have increased; questions about what might happen if they were laid off and other options within the plans; some wanted to increase their contributions.

Regarding the ICMA-RC contract, there are guarantees in place for #of days on site, but they are tracking # of hours that are being utilized remotely in lieu of on-site meetings.

**2020 communications:** ICMA-RC has been doing outreach to participants with assets greater than \$50k and expanded the CFP access to any of their CFPs and meeting options are included to the online meeting signup calendar.

**Family Finances – Baby Steps:** flyer to be shared with the Committee; Tammy to customize it.

**One-time passcode login process:** As of May 27<sup>th</sup> ICMA-RC website for participants and for Port staff who log into EZLink will have a multi-factor authentication process. A code will be emailed with a passcode. Mobile devices listed. We should add reminder that they have access to Sonia and Jim (in communication).

**Loan interest rates:** when a new loan or refinance happens prime rate + 2% election made in 2012 in our loan guidelines agreement. We can revisit the loan rates at any time.

### **CARES Act implementation:**

All optional provisions we elected have been implemented; 6 have been processed so far and 2 more are in process. Corey would like to look into the remaining balances of their accounts or presumably just what they need.

#### CARES Act update

1. COVID-related distributions requests: 8 (can remove the employer signature requirement)
2. COVID-related loans / loan deferral requests: 2 (Anika DOES NOT need to sign this form)

Corey to send Anika language for making a change to that signature requirement.

#### 401a issues:

3. Change of address letters sent out to all plan participants in error. Temporary communication was posted on Compass and we are anticipating an official communication from ICMA-RC identifying the root cause.

ICMA-RC; internal application used to manage addresses had a change made to the formatting for the addresses and the unintended consequence was the auto-generation of the letters. The system viewed the addresses as having changes to them, when there were none. Issue had been fixed. Protocols for how they manage the application and testing involved for the application have been updated to avoid those types of errors from happening in the future. Sincere apologies that this couldn't have come at a worse time!

Eric commented that the way the letter was worded was not very clear. Corey explained that a letter goes out to the old address saying that a new address was input (but doesn't include the new address) and a letter is sent to the new address with both old and new address listed.

4. Enrollment letters sent out for 401a accounts – something happened in HCM that caused the effective dates to be changed on enrollments of 401a benefit in our system which triggered their data to load to the indicative data file which was sent to ICMA-RC and triggered an enrollment letter when the employee never enrolled in the 457 or requested for their personal information to be sent.

Corey spoke with Tonya and Virous; the **May 5 and April 13** files were referenced to identify why the letters were sent. Waverly is pulling the files and will drop them to EZLink.

5. 401a contributions in 2019 and 2020, for some participants, were never sent by the Port. We know of at least 4 people in 2019 and one in 2020 but there may be others. We need a detailed audit of those eligible to receive the match, and those who didn't get their contributions. Gain/loss calculations need to be done and the Port needs to make those participants whole again. Time sensitive! Go back to 1/1/2019 to current.

Gain/loss calculations: when this happens, typically an accounting is done by the Port to tell the amount that should have been deposited and the dates, etc. Submit the amount to ICMA-RC then they perform a gain/loss calculation based on the deposit amounts over the period of time.

Need to find root cause and we need to audit if there are any others who didn't get the match.

Corey requested Tonya to provide contribution reports for 457 and 401 from 1/1/2019 through current.

6. COVID-related distributions requests: 8
7. COVID-related loans / loan deferral requests: 2

Meeting adjourned at 12:00pm.