

**457 Deferred Compensation Plan
Administrative Committee Meeting
September 2, 2021
9:00 a.m. to 11:30 p.m. Regular session
MS Teams**

Agenda

| | | |
|--|---|---------------------------|
| 9:00 a.m. to 9:30 a.m. 30 minutes | • Executive session | Committee only |
| 9:00 a.m. to 9:05 a.m. <i>5 minutes</i> | <ul style="list-style-type: none"> • Welcome / land acknowledgment • Approval of June minutes | Committee Co-chair |
| 9:05 – 10:05 <i>1 hour</i> | <ul style="list-style-type: none"> • 2Q 2021 Performance Report & Economy/Market Update • ESG Fund Manager Search Information • Proposed dates for 2022 Retreat and Quarterly Meetings | Hyas Group |
| 10:05 a.m. to 11:05 a.m. <i>1 hour</i> | <ul style="list-style-type: none"> • 2021 Q2 Virtual Service Delivery • Update on Administrative Account Audit • Communication / Webinar Updates / Financial Wellness Center Demo • Update on SS&C Partnership and rollout timeline | Mission Square Retirement |
| 11:05 to 11:30 <i>25 minutes</i> | <ul style="list-style-type: none"> • Announcements / wrap-up | All |

**Next meeting: December 2, 2021
MS TEAMS**

Committee members:

Elizabeth Morrison, Eric Baird, Milton Ellis, Shawn Griffin, Tammy Woodard, Duane Hill, Tae Hose

Staff members:

Anika Klix, HR

Guests:

Sonia Rogers, Mission Square

Patty Harte, Mission Square

Peter Hoerber, Mission Square

- Welcome / ~~land acknowledgment~~

Approval of June 2021 minutes

Shawn moved to approve the June meeting minutes as written. Milton seconded it. All approved. None opposed.

Hyas Group

Greg Settle presented the Plan and Investment Performance Report for the quarter ending June 30, 2021. One fund was found to be in violation of the Plans' Investment Policy Statement (IPS) performance guidelines, the Hartford Small Cap Growth HLS IA Fund. After discussion, the Committee decided to have the Hyas Group prepare a search for alternatives to this fund for presentation at the next Committee meeting.

Greg presented additional information about "ESG/Social Investing" and reviewed how some leading "ESG /Social Funds," both passive and active, allocate among firms while pursuing various goals. After discussion, the Committee voted to not add an ESG/Social fund to the Plans' menus, but to instead work with MissionSquare to promote awareness about how to invest in these types of funds through the Plans' Self Directed Brokerage Account program. He will conduct additional research to find materials on learning about and selecting ESG/Social funds, which the Committee could potentially have distributed to participants. He will present his findings at the next Committee meeting.

The Committee heard a report from MissionSquare about how the Port's 401(a) Supplemental Retirement Plan Admin Account funds were mis-allocated in the past few years and what steps MissionSquare is taking to prevent this from occurring again. Following this review, a motion was approved to have MissionSquare proceed with allocating assets accrued in the 457 Plan, Firefighter's 401(a) Plan, and Police Officer's 401(a) Plan in excess of the target balances to participants on a pro-rata basis. (This action was taken at the June meeting; however, execution was deferred while the Admin Accounts were being audited).

The Committee approved a motion directing MissionSquare to allocate any 401(a) Supplemental Retirement Plan Admin Account assets in excess of the target balance to the Port. Greg will assist Anika with preparing and sending instructions to MissionSquare.

Greg reported to the Committee that Hyas Group had become a business of Morgan Stanley effective on September 1, 2021, and reviewed how Hyas Group personnel, processes, and interactions with the Port will be changing very little as a result of this transaction. He will provide further updates at the next Committee meeting.

Greg will send potential dates for the Committee's regular meetings in 2022 as well as for the Annual Retreat, to Anika in the coming days.

Vote: Duane moved that we do not add a ESG plan to our lineup but provide some education about how participants can research and select one on their own through the brokerage window. Tammy seconded.
All approved. Motion passes.

Mission Square Retirement

2021 Q2 Virtual Service Delivery

Peter Hoerber updated the committee on the 2021 virtual service delivery. 2021 was off to a good start with an increase in deferred compensation engagement. 109 enrollments January – June 2021. Mission Square is prepared to deploy more training or educational materials as the employment trend increases. Contribution rates have increased in 2021 as well. 44 CFP consultations have been conducted with participants and 173 retirement plan specialist consultations between Jan – June 2021. Employer messaging in the form of an Outlook invitation has helped increase an uptick in participation.

Sonia Rogers updated the committee on 2021 webinar offerings for the port.
Get to know your 457 plan and 457 Roth Plans:

- 457: Registered 116; attended 78
- Roth: registered 74; attended 59

Roll-ins: June 1 – Aug 26: \$1,760,161
Enrollments: 32 total (25 pre-tax; 7 Roth)
Contribution increases: 14

Update on Administrative Account Audit

Patty Harte updated the committee on an audit of the Administrative Account for the 401a Supplemental Savings Plan. Root causes were identified to be:

- Misidentified/unresolved payments (manual error)
- Lack of clear instruction and payment advice
- Inconsistent effort by processors to identify correct account for deposit
- Lack of rigorous controls on general ledger account

As a result, all issues have been resolved and stricter controls put in place for the general ledger account.

*From Mission Square Retirement Slide Deck dated 09022021:

Between 2017 and January 2020, there were 20 payments sent to MissionSquare Retirement for deposit to the Administrative Allowance Account (AAA) for the 401(a) Supplemental Savings Plan (106370) which were not deposited. The payments were instead deposited to a general ledger account.

Root Cause:

- Misidentified/unresolved payments (manual error)
- Lack of clear instruction with Payment Advice
- Inconsistent effort by processors to identify correct account for deposit
- Lack of rigorous controls on general ledger account
-

The AAA payments are sent to M&T Bank along with the payments for the maintenance fees (MissionSquare fee) instead of to Bank of America, which is the destination noted on the invoice for the AAA payments. Many years ago, MissionSquare agreed to accept both payments through M&T Bank. The maintenance fees were properly credited but 20 AAA payments were not identified as such and were deposited to a general ledger account. They remained in that account until Port of Seattle requested an audit of the AAA deposits in June 2022.

There were no instructions on the Payment Advice from Port of Seattle as to where the payment should be deposited, although the invoice number was on the Payment Advice. MissionSquare processors, inconsistently, either tried to determine the appropriate account for the deposit by contacting the Port’s Client Service Coordinator or deposited the payments in the general ledger account. The general ledger account did not have the rigorous controls in place that it should have and deposits to that account were left unresolved until the audit was conducted in June 2021.

At the beginning of 2020, greater controls were put in place for the general ledger account, which resulted in no future misapplied deposits sitting in that account. The Port of Seattle Client Service Coordinator was also receiving the Payment Advice for each payment so she could monitor the payment, ensuring the deposit was made to the AAA. This is the process in place today to prevent any future issues.

Resolution:

The deposit history for the Administrative Allowance Account was audited starting in 2015 through 2021. There were no misapplied payments in 2015, 2016 or February 2020 forward.

The total of the 20 misapplied payments identified between 2017 and 2020, was \$20,739.50, plus lost earnings of \$53.51. These amounts have been deposited in the Administrative Allowance Account for the 401(a) Supplemental Savings Plan (106370). The current balance in the Administrative Allowance Account for Plan 106370 is \$31,715.02.

Below are balances in the Port of Seattle Admin Allowance Accounts as of 9/2/21.

| Plan Number | 106370 | 106372 | 106376 | 306867 | Total |
|---|-------------|-------------|-------------|--------------|--------------|
| Administrative Allowance Account Balance | \$31,715.02 | \$16,683.41 | \$14,731.16 | \$178,541.82 | \$241,671.41 |

Vote: Tammy moved that questions around Administrative Supplemental Savings Account has been resolved and we proceed with the original request for ICMA-RC, now Mission Square Retirement, to allocate the amounts accrued in excess of funds’ target minimum to participants on a pro-rata basis, as soon as can be accomplished. Milton seconded. All approved.

Vote: Tammy moved that any excess balance from the 401a supplemental savings plan above the funds target minimum be returned to the Port of Seattle. Seconded by Milton. All approved.

Communication / Webinar Updates / Financial Wellness Center Demo

Patty introduced the committee to the new financial wellness center and provided a demonstration. There are live demos scheduled for Port participants:

- September 14: 12-1pm
- September 29: 3-4pm
- October 14: 11am-12pm

- TBD: for Police and Fire Department

In March 2022, Phase II will be rolled out.

Participant surveys are sent out after meeting with an RPS (retirement plan specialist). They are rated on knowledge, professionalism, responsiveness, helpfulness, and overall impression. Next meeting, Patty will bring results from those surveys.

Update on SS&C Partnership and rollout timeline

Go live is planned for Q2 2022. Testing will be conducted in Q1 2022. In Q4 2021, education for plan sponsors will begin through EZLink and the employer bulletin. FAQs, live webinars, demos, and participant experience demos will be provided. Participant messaging will go out via flyers, digital marketing, webinars, etc.

All

Announcements / wrap-up

Greg announced earlier in the year that Hvas Group is being purchased by Morgan Stanley. Hvas Group name will remain as-is and remain in Portland, OR with no change to the team dedicated to the Port of Seattle. They will gain access to more financial analysts to do the work for their clients.

Meeting adjourned at 11:24am. Next meeting will be on December 2, 2021.