

**CITY OF BELLEVUE
457 TRUST COMMITTEE
Meeting Minutes**

February 23, 2016
9:30 a.m.

Conference Room 3E-105
Bellevue City Hall

MEMBERS PRESENT: Gail Davila, Human Resources, Chair
Darek Jarzynski, Transportation, Secretary
Patrick Harris, Parks & Community Services
Arnaz Bharucha, Treasury
Jerome Litzau, Police Department

OTHERS PRESENT: Trent Sanden, UBS Institutional Consulting
Susan Wilson, Empower Retirement
Siona Windsor, City Attorney's Office

MINUTES TAKER: Michelle Cash

I. CALL TO ORDER

The meeting was called to order at 9:30 a.m. by Chair Davila.

II. PUBLIC COMMENTS

None.

III. ELECTIONS

None.

IV. APPROVAL OF AGENDA

Motion by Ms. Bharucha and second by Mr. Litzau to approve the meeting agenda as presented. Motion carried unanimously (5-0).

V. APPROVAL OF MINUTES

Motion by Mr. Harris and second by Mr. Jarzynski to approve the November 17, 2015 Bellevue 457 Trust Committee meeting minutes as presented. Motion carried unanimously (5-0).

VI. REPORTS

A. Chair/Staff

No report.

VII. EXECUTIVE SESSION

None.

VIII. ACTION ITEMS

A. Review UBS Quarterly Report and Approve Recommendations

Mr. Sanden discussed the market snapshot for 4Q15. Overall, the equity and international indices performed well in the last 3 months, while the fixed income indices were mixed. Mr. Sanden noted that market volatility has increased over the last 6 months and is expected to continue. Overall, Energy was the worst performing sector in the 1 year time period, while Health Care was one of the best performing sector. The top performing country over the last 3 months was New Zealand, while the bottom performing country was Greece.

The following is UBS Institutional Consulting's Quarterly Report, provided by Mr. Sanden:

There was a brief discussion of investment manager expenses. Overall the plan has reasonable investment expenses below the Morningstar averages although the bar graph does not account for the revenue sharing generated by the funds which would make the analysis more favorable with reasonable expenses.

PIMCO Total Return Inst'l:

The PIMCO Total Return fund outperformed the benchmark target in the 4Q15, and in the year-to-date, 1, 5, 7, and 10 year time periods. Since the fund underperformed the benchmark target and is below the ranking goal in the 3 year time period, UBS recommends that the PIMCO Total Return Institutional fund remain on the watch list.

American Beacon SiM High Yield Opps Inst.:

The American Beacon fund underperformed the benchmark target in 4Q15 but outperformed in all other measured time periods.

Great-West Profile Funds:

Due to an error with the MPI/Empower bank feed, a supplemental report for the Great-West Profile funds' performance was distributed. Mr. Sanden noted that the bank feed issue appears to be an anomaly, but is still being evaluated.

After adjusting for the expense ratio, the Great-West Profile funds continue to offer participants good competitive returns.

JHancock3 Disciplined Value R6:

The JHancock3 Disciplined Value Mid Cap R6 fund underperformed the benchmark in the 4Q15, year-to-date, 1, and 3 year time periods. However, the fund outperformed the benchmark in the 5, 7, and 10 year time periods. This fund continues to perform well long term.

SSgA S&P 500:

The SSgA S&P 500 fund closely tracked the benchmark relative to fees and the expense ratio.

Mainstay Large Cap Growth I

The Mainstay Large Cap Growth I fund outperformed the benchmark in recent measured time periods and appears to be improving.

JP Morgan Mid-Cap Value Inst'l:

The JP Morgan Mid-Cap Value fund outperformed the benchmark in nearly all measured time periods. Although the fund underperformed in the 3 year time period, it placed in the 19th percentile of its peer group ranking.

Victory Munder Mid-Cap Core Growth:

The Victory Munder Mid-Cap Core Growth fund underperformed the benchmark in all measured time periods. Most of the fund's underperformance occurred in 4Q15. UBS recommends that the Victory Munder Mid-Cap Core Growth fund be placed on the watch list, effective 4Q15, since the fund underperformed the benchmark target and ranking goals in the 3 year time period, and underperformed the benchmark target goal in the 5 year time period.

RS Partners A:

This fund was replaced in the plan in February, 2016. A performance report will be provided at the next Committee meeting.

Baron Small Cap Instl:

This fund was replaced in the plan in February, 2016. A performance report will be provided at the next Committee meeting.

EuroPacific Growth R6:

The EuroPacific Growth fund outperformed the benchmark in nearly all measured time periods.

Key Guaranteed Portfolio:

The Key Guaranteed Portfolio continues to have favorable yields.

Motion by Ms. Bharucha and second by Mr. Jarzynski to approve the UBS Institutional Consulting recommendations for investments for Fourth Quarter 2015. Motion carried unanimously (5-0).

Mr. Sanden summarized the UBS Institutional Consulting Market Outlook.

IX. INFORMATION/DISCUSSION ITEMS

A. Staff Plan Report

- Quarterly Recap of Plan Revenues and Expenses

Ms. Davila reviewed the Plan Revenues/Expenses for 4Q15. The ending balance for the Administrative Fee Holding Account was \$19,634. This total reflects the final rebate to participants that was completed in September, 2015.

Ms. Davila noted that the legal advisor fees for Thorson, Barnett, and McDonald, P.C. have been raised from \$310 per hour to \$325 per hour. In addition, the investment manager fee for UBS Institutional Consulting has increased due to a change in CPI rates.

B. Empower Retirement Report

- 2015 Quarterly Summary Report

The quarterly summary report was included in the Committee packet.

- 2015 Annual Report

Ms. Wilson provided a 2015 overview for the 457 Plan. Plan assets totaled approximately \$52,613,887 as of December 31, 2015, versus \$52,118,756 as of December 31, 2014. As of December 31, 2015, approximately 443 participants were contributing to the Plan with an average participant contribution of \$6,123 per year.

Other items discussed included:

- Assets by asset class
- Asset allocation by age
- Participant utilization and details
- Average participant rate by age
- Average participant contribution by age
- Average participant account balance and percentages
- Contribution analysis
- Distributions.
- Loans
- Website
- KeyTalk®

X. OTHER BUSINESS

None.

XI. ADJOURNMENT

The next regularly scheduled meeting will be held on May 17, 2016.

By general consensus the meeting was adjourned at 10:54 a.m.

Darek Jarzynski, 457 Trust/Plan/IAC Committee Secretary

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