

BCC Meeting August 22, 2019

1. Meeting was called to order at 2pm by Lauran Beebe
2. Nationwide Plan Report

Kent Morris began by discussing a miscalculation in the explicit asset fee computation that resulted in a small fee overpayment by City of Scottsdale participants. Since conversion, there were six instances where Nationwide incorrectly added one or two days of fees for months where the last calendar day of the month prior fell on a Saturday or Sunday. This means that the fees for the one or two weekend days were incorrectly deducted a second time. Nationwide's calculation methodology has since been updated and the following details shows how Nationwide plans to correct participant accounts:

- For all active participants, Nationwide will deposit the corrected fees and earnings as a one-time "unit adjustment" during the third quarter
- For participants who no longer have an account, Nationwide will distribute amounts more than \$5.00 via check in the same manner as their last distribution. If the correction is more than \$10.00 and the last transaction was a taxable distribution, the participant will receive a 1099-R to report the income
- Earnings will be calculated using a credit rate of 6% based on recent Internal Revenue Service guidelines
- There are 1,800 participants that were impacted by at least one overpayment instance and the highest participant dollar impact is \$4.41.
- Nationwide will be drafting a message to communicate this to participants in their third quarter statement. Additionally, they will be taking this opportunity to review all fee criteria for the Plan and will let the BCC know if anything else arises.

Kent Morris review provided an overview of Nationwide's Gauging Success report. Through the end of the 2nd quarter of 2019, there are 2,034 plan participants, 91 new enrollments, \$142M in plan assets, \$3.7M in deferrals and \$311K in roll-ins.

3. Innovest Plan Report

Gordon Tewell began with a regulatory update addressing the SECURE Act of 2019, Setting Every Community Up for Retirement Enhancement. The SECURE Act was passed by the House in May 2019 and has been sitting in legislative limbo in the Senate. The provisions of the Act impacts plan sponsors and individuals. Provisions include allowing long-term, part-time workers to participate in retirement plans, simplification of Safe harbor rules for 401(k) plans, increasing the age for required

minimum distributions from 70.5 to 72 years of age and the repeal of the maximum age for IRA contributions.

Gordon reviewed the City's 457 Plan Summary which included 3rd Quarter deliverables, IPS, Fiduciary Education, Fee Review and Share Class Review. Gordon reviewed the City's PEHP Plan, followed by a review of the City fee's for the 457 Plan, investment structure and asset allocation for the 457 and PEHP plans.

Paul Nacario provided an overview of the markets, looking back at the market returns for the 2nd quarter. Paul reviewed the current trade dispute with China and how it affects the global markets, the indications of a Fed rate cut and the yield curve inversion, equity valuations and the outstanding levels of corporate debt, particularly BBB rated bonds.

Gordon reviewed the Investment Manager Score Card, identifying a few concerns with Harbor Capital Appreciation, Vanguard Select Value, Victory Munder MidCap Core and Harbor Small Cap Growth Opportunities. Discussion centered on Victory Munder MidCap Core and its performance. Gordon provided alternative options, either mapping assets to Hartford MidCap or replacing and mapping Victory Munder MidCap Core with JP Morgan MidCap Growth. After discussion, a motion was made by Eric Valliere to replace Victory Munder MidCap Core with JP Morgan MidCap Growth and seconded by Bill Murphy, unanimously approved by the Committee.

The meeting was adjourned at 3:23pm.