

**THE BOARD OF PENSIONS AND RETIREMENT
DEFERRED COMPENSATION PLAN MEETING
May 30, 2019**

There being a quorum, Rob Dubow, Board Chair, called the Deferred Committee Plan Meeting to order at 9:44 a.m., in the Board Conference Room, 2 Penn Center Plaza, 16th Floor.

Present:

Rob Dubow, Finance Director
Ronald Stagliano, Vice Chairman, Trustee
Rebecca Rhynhart, City Controller
Marcel Pratt, City Solicitor
Christopher Rupe, Chief of Staff, Office of the Managing Director
Leontyne Freeman, Alternate, Office of Human Resources
Brian P. Coughlin, Trustee
Carol Stukes-Baylor, Trustee
Veronica M. Pankey, Trustee

Francis X. Bielli, Esquire, Executive Director
Christopher DiFusco, Esquire, Chief Investment Officer
Bernard J. Buckley Jr., Deputy Chief Investment Officer
Shamika Taliaferro, Deputy Director of Pensions
James Cousounis, Chief Compliance Officer
William Rubin, Audit Manager
Dominique A. Cherry, Head of Private Markets
Tyrone Jordan, Senior Investment Officer
Abdel-Aziz Ibrahim, Investment Officer
Shahied Lloyd, Administrative Services Supervisor

Also Attending:

Kellan White, First Deputy Controller
Francois Dutchie, Chief Deputy City Solicitor
Sharolyn L. Murphy, Esquire, Senior Attorney
Lavonia Jenkins, Administrative Assistant
Neshea Bumpus, Clerk Typist I
Brad Nyce, Nationwide
Bina Kumar, Nationwide
Kweku Obed, Marquette Associates
Jesus Jimenez, Marquette Associates
Nick Hand, City Controller's Office
Matthew Vegari, City Controller's Office
Will Greene, Loop Capital

**THE BOARD OF PENSIONS AND RETIREMENT
DEFERRED COMPENSATION PLAN MEETING
May 30, 2019**

Agenda Item #1 – Approval of the Minutes of April 25, 2019 Board Meeting

Mr. Dubow requested approval of the Deferred Compensation Meeting Minutes for April 25, 2019. Mr. Stagliano made the motion to approve the minutes. Mr. Coughlin seconded. The motion carried unanimously.

Agenda Item #2 – Deferred Compensation Plan Update/Activity Report – April 2019

Ms. Cherry presented a brief investment update. Ms. Cherry reported that Investment Staff met with Vanguard and were informed that the institutional index fund is now eligible for institutional plus shares, and thus, lower fees. The change should take place in August 2019. Ms. Kumar presented the activity report for the month of April 2019. Total participant accounts were 23,345 of which 18,537 are actively contributing to the plan. The total 457 plan assets administered by Nationwide were over \$1,240,000,000. Ms. Kumar stated the 401A Plan held over \$587,000 with 538 total participants. She noted that the Roth 457 and percentage deduction options were added to the website in April.

Mr. Nyce described the service and education activity for the month of April which included: 92 enrollments into the Plan; 26 group workshops with 435 attendees; and 423 individual consultations. Mr. Nyce noted that Nationwide has filled the Retirement Specialist position with Candice McCloud whose start date is June 10, 2019.

Agenda Item #3 – Real Estate Index Recommendation

Ms. Cherry presented the Real Estate Index Recommendation. Ms. Cherry stated that Staff conducted initial screens and searched for funds that met required criteria. The result of those screens generated two suitable options, both of which are available on the Nationwide platform: Fidelity Real Estate Index (FSRNX) and Vanguard Real Estate Index Fund Admiral Shares (VGSLX). Ms. Cherry stated if a decision was made during the Board meeting, August would be the first date available to make changes.

Ms. Cherry noted that both funds have performed in line with their respective benchmarks, and both management teams and advisors have at least a five-year track record. Based on this information, combined with Fidelity's lower expense ratio, and to diversify the lineup, Staff's recommendation is to add the Fidelity Real Estate Index Fund as an investment option to the Deferred Compensation Plan.

Mr. Stagliano requested that Nationwide address the recent 1099 coding issue that emerged for some plan participants. Mr. Nyce explained that within Deferred Compensation if a member rolls their DROP money into the 457 plan and are over the age of 55 that money is not subject to a 10% early withdrawal penalty; however if the member is in public safety the age requirement is reduced to 50.

**THE BOARD OF PENSIONS AND RETIREMENT
DEFERRED COMPENSATION PLAN MEETING
May 30, 2019**

Mr. Nyce stated that when the plan transitioned from ICMA to Nationwide the funds that were in the account were characterized as a pre-tax rollover and not segregated as DROP money but certain Public Safety employees were not identified as such which resulted in those members having to pay the 10% fee. Mr. Nyce stated that those who were affected by this were re-issued corrected 1099 forms and Nationwide proposed reimbursement of expenses up to \$60 to participants who would have to re-file their taxes.

Ms. Rhyhart asked Mr. Stagliano if he was satisfied with what Nationwide has offered to fix the issue. Mr. Stagliano restated his concern that there were 25 Public Safety employees who now have to re-file their taxes due to this missed coding issue. Ms. Pankey stated there shouldn't be a cap on the amount Nationwide will reimburse since some of the employees may have to spend more than \$60 to amend their return. Ms. Pankey requested full reimbursement with documented receipts. Ms. Kumar stated she understood the Trustee's concerns and would follow-up on this issue.

Ms. Kumar also reported on a global system glitch that occurred between September 1, 2018 – February 17, 2019. There were 50 participants who either enrolled online or requested a change in deferral amounts, which was not communicated to payroll and no changes were made. Ms. Kumar stated Nationwide identified this glitch, those who were impacted, and made corrections. Mr. Stagliano inquired whether the affected members for whom deductions were taken but whose deferral were not made are able to make it up? Ms. Kumar said Nationwide based on advice of counsel was following the required IRS guidelines on how to make participants whole and to address/correct the missed deferrals.

Mr. Dubow requested that Nationwide provide an explanation of the tax implications and corrective steps in writing. Mr. DiFusco stated that he, Mr. Cousounis and the Law Department have also looked into whether the proper corrective mechanisms are being followed and will address the matter further at an upcoming meeting. Mr. Pratt suggested that Nationwide provide their own tax counsel at their expense and the City's lawyers will assist. Ms. Kumar agreed.

Mr. Stagliano made the motion to approve Staff's recommendation to add the Fidelity Real Estate Index Fund as an investment option to the Deferred Compensation Plan.

Mr. Rupe seconded. The motion passed 7-1, with Ms. Stukes-Baylor voting in opposition.

Mr. Dubow asked whether there were any additional questions. There were none.

At 10:10 a.m., Mr. Dubow requested a motion to adjourn the Deferred Compensation Plan Meeting. Mr. Stagliano made the motion. Ms. Stukes-Baylor seconded. The motion passed unanimously.

The Deferred Compensation Plan Committee of the Board of Pensions and Retirement approved the Minutes on May 30, 2019.

**THE BOARD OF PENSIONS AND RETIREMENT
DEFERRED COMPENSATION PLAN MEETING
May 30, 2019**

Rob Dubow
Board Chair