

**DEFERRED COMPENSATION COMMITTEE AGENDA**

*SPECIAL MEETING Tuesday, March 29, 2016 - 1:00 p.m.*

**Anaheim West Tower – Utilities Large Conference Room  
201 South Anaheim Boulevard – Ninth Floor**

- I. APPROVAL OF MINUTES:
  - A. NOVEMBER 19, 2015  
(Discussion/Take Action)
  - B. SPECIAL MEETING: JANUARY 19, 2016  
(Discussion/Take Action)
  
- II. PUBLIC COMMENT:
  
- III. INTRODUCTIONS:
  
- IV. OLD BUSINESS:
  - A. COMPOSITION OF DCC MEMBERS – City Treasurer and Term for Participating Employees  
(Discussion/Take Action)
  - B. SUB-COMMITTEE REPORT ON PARTICIPATING EMPLOYEE VACANCIES  
Current vacancy  
Upcoming Vacancy as of July 1, 2016  
(Discussion/Take Action)
  - C. SUB-COMMITTEE REPORT – APPROVAL OF INVESTMENT POLICY  
(Discussion/Take Action)
  
- V. NEW BUSINESS:
  - A. RHS ISSUE: DELAYED PROCESSING BY MERITAIN  
(Discussion/Take Action)
  - B. RHS INFORMATIONAL UPDATE – PPACA – Cadillac Tax and Effect of Rehired  
Employees/Retired Annuitants  
(Discussion/Take Action)
  - C. QUARTERLY PLAN REVIEW – Q4-2015  
(Discussion/Take Action)
  - D. MESIROW REVIEW – Q4-2015  
(Discussion/Take Action)
  - E. AUTO-REBALANCING – CONCEPT AND AVAILABILITY  
(Discussion/Take Action)
  - F. 401(a) REQUIREMENTS/DEADLINES FOR RESTATEMENT OF PLAN DOCUMENT  
(Discussion/Take Action)
  - G. PLAN DOCUMENT AMENDMENT TO ALLOW EMPLOYER CONTRIBUTIONS  
(Discussion/Take Action)
  - H. PLAN DOCUMENT REVIEW – FORMULATE SUB-COMMITTEE

(Discussion/Take Action)

I. CONTRACT ENDS 6/30/2017 – OPTIONS: Extend or Begin RFP Process  
(Discussion/Take Action)

J. FIDUCIARY RESPONSIBILITY OVERVIEW  
(Discussion)

K. ICMA-RC UPDATES  
(Discussion)

L. NEXT QUARTER MEETING DATE  
(Discussion/Take Action)

M. ADMINISTRATIVE STAFF REPORT  
(Discussion/Take Action)

VI. COMMITTEE MEMBER COMMENTS:

Committee Member: Debbie Moreno  
Committee Member: Joe Romines  
Committee Member: Lisa Stipkovich  
Committee Member: David Albaugh  
Committee Member: Bill McLeod

VII. TOPICS FOR NEXT MEETING – *Thursday, May 19, 2016* AWT – 9<sup>th</sup> Floor Utilities Large Conference Room

VIII. ADJOURNMENT

***CERTIFICATION***

I certify that a copy of this notice was posted by 5:00 p.m. on March 23, 2016 at the City Council Chambers. Agenda documents are available for review in the Human Resources Office, 5<sup>th</sup> Fl, AWT. Signed: \_\_\_\_\_  
Janice Garcia – Deferred Comp Technician

**HUMAN RESOURCES**  
**DEFERRED COMPENSATION COMMITTEE MEETING**  
**9<sup>th</sup> FLOOR LARGE CONFERENCE ROOM**  
**March 29, 2016**  
**1:00 p.m.**

---

PRESENT: Bill McLeod, Debbie Moreno, Joe Romines, David Albaugh, Lisa Stipkovich and Lenette Wardinski

STAFF: Moses Johnson, Janet Laszlo, Dona Vlha and Janice Garcia

GUEST(S): Lori Riley, Tom Axline, Ryan Carpenter, Dayla Cabeza De Vaca (ICMA-RC), Jason McBride, Abby Semblantes

TELECONFERENCE GUEST(S): Erica McFarquhar, Walid Refai and San Diep (ICMA-RC)

Bill McLeod, the Committee Chair, called the meeting to order at 1:04 PM.

The sequence of the meeting will not follow the order of the agenda in order to accommodate the teleconference participants.

### **III. INTRODUCTIONS**

Mr. McLeod asked everyone at the table and on the teleconference line to introduce themselves.

### **V. NEW BUSINESS**

#### **A. RHS ISSUE: DELAYED PROCESSING BY MERITAIN**

Dona Vlha explained a delayed processing date with the first 2016 direct payment to the City of Anaheim by Meritain. Lori Riley stated her review of the contract and other documentation resulted in different understandings of processing dates. Because there is no documentation of clear communication, ICMA-RC will make affected participants whole and calculations will be completed at the end of the week or the beginning of next week for the City to review. On a go-forward basis, Meritain will process lump-sums within two (2) to three (3) business days and recurring monthly and quarterly reimbursements directly to the City is under evaluation. Once clarity between Meritain and ICMA-RC is reached, then the City would be informed via Moses Johnson. Mr. McLeod extended his appreciation to ICMA-RC for their efforts thus far and going forward on this issue.

#### **B. RHS INFORMATIONAL UPDATE – PPACA – Cadillac Tax and Effect of Rehired Employees/Retired Annuitants**

Ms. Vlha referenced the hand-out regarding the item that defines Retiree-Only RHS Plans which excludes retired annuitants. Due to market reform, the City's amendment to allow retired

annuitants access to use RHS assets is no longer a viable option to retain Retiree-Only plan status. Janet Laszlo verified that retired annuitants currently on our payroll could continue to work so long as they are not allowed to use RHS assets. Erica McFarquhar confirmed that the Plan Document requires revision to state retired annuitants are not allowed to use RHS assets. Ms. Laszlo inquired if there are any exclusions for officers or safety members returning to work status in order to testify to be specially categorized, thus allowing them to use RHS assets and Ms. McFarquhar stated this is not an option under market reform. There was brief discussion stating those that testify may be able to be paid through a 1099 instead of a W-2. Lisa Stipkovich made a motion to amend our Plan Document to be in compliance as a Retiree-Only Plan. Debbie Moreno seconded. MOTION CARRIED (5-0-0).

#### F. 401(a) REQUIREMENTS/DEADLINES FOR RESTATEMENT OF PLAN DOCUMENT

Ms. McFarquhar explained that the IRS is requesting language updates for 401(a) documents; therefore ICMA-RC is requesting the same from Plan Sponsors. Ms. Moreno made a motion to approve the 401(a) Plan restatement, specifically The Money Purchase Plan and Agreement, with amendments. Ms. Stipkovich seconded. MOTION CARRIED (5-0-0).

At this time, Ms. Farquhar and San Diep were excused.

#### C. QUARTERLY PLAN REVIEW

Ms. Riley explained to new attendees when we cover quarterly versus annual reviews and turned the topic over to Walid Refai. Mr. Refai provided a summary of the investment review for the fourth quarter of 2015. He discussed an overview of the capital markets, the investment trends where growth outperformed value in 2015, the performance of the S&P 500 Index and Sectors and oil prices. Mr. Refai reported that the VT PLUS Fund, which comprises 37% of the Plan assets, is still the number one fund in the Hueler Universe.

Mr. Refai also distributed a report for the two funds that have underperformed in the fourth quarter: Vantagepoint Equity Income Fund and Columbia Acorn Fund. The report showed the description of the funds, performance and expense, distributions, Morningstar information, characteristics and statistics. The Vantagepoint Equity Income Fund underperformed last year due to its allocation to the energy sector which was also significantly under-performing last year. Columbia Acorn Z is also underperforming and is back on the Mesirow watch list. Mr. Refai concluded that all in all, most of the funds in the line-up have very strong performance over the past year and over longer periods of time. Mr. Refai was excused following the quarterly review.

#### B. RHS INFORMATIONAL UPDATE – PPACA – Cadillac Tax and Effect of Rehired Employees/Retired Annuitants (CONTINUED)

Ms. Vilha and Ms. Riley reverted back to the RHS Informational Update regarding the 6055 reporting obligations for the 1095 form component that the City is required to provide terminated RHS participants as part of ACA requirements. Ms. Laszlo spoke of the regulatory action items and excise tax. Ms. Laszlo provided hand-outs offered by the City's health benefits broker and along with the RHS Informational Update from ICMA-RC stated the City will hit limits on page four (4) of this document which may result in estimated ACA excise taxation between \$1.5 - \$2 million. The impacted benefits programs include employee and employer health insurance premiums, FSA, RHS, Wellness, etc. Ms. Laszlo inquired with Ms. Riley to research why ICMA-RC is not providing 1095 forms to applicable terminated participants.

## **I. APPROVAL OF MINUTES**

### **A. NOVEMBER 19, 2015**

David Albaugh made a motion to approve the minutes of the November 19, 2015 Deferred Compensation Committee meeting. Ms. Stipkovich seconded the motion. MOTION CARRIED (5-0-0).

### **B. SPECIAL MEETING: JANUARY 19, 2016**

Ms. Moreno would like to amend the minutes to change Carole Ayuso from a guest (former delegated committee member) to a member of the committee since she is still the delegated representative for the Finance Director. Ms. Moreno made a motion to amend the minutes with her recommendation. Mr. Albaugh seconded. MOTION CARRIED (2-1-2).

## **IV. OLD BUSINESS**

### **A. COMPOSITION OF DCC MEMBERS – City Treasurer and Term for Participating Employees**

The committee reviewed the current composition of the committee and came up with two options. The first option would be to remove the second Participating Employee Representative position with a combined Finance Director/City Treasurer position for a committee consisting of five members. The second option would be to replace the former City Treasurer position with a third Participating Employee Representative for a seven member committee; this includes combining the current Finance Director/City Treasurer as one position. Mr. Albaugh made a motion to replace the former City Treasurer seat with a third Participating Employee Representative position, combine Finance Director/City Treasurer position and change the term of the Participating Employee Representatives and Participating Retiree Representative for three years and amend the plan document and investment policy to reflect these changes. Ms. Stipkovich seconded. MOTION CARRIED (5-0-0).

There was discussion on whether to include the consultant acting as the City's asset manager and/or hire a consultant who can provide knowledge and expertise to attend the Deferred Compensation Committee meetings. This matter will be discussed at the next quarterly meeting together with the hiring of a consultant for the RFP process.

### **B. SUB-COMMITTEE REPORT ON PARTICIPATING EMPLOYEE VACANCIES**

Joe Romines recommended the appointment of Lenette Wardinski as the Participating Employee Representative to replace Ryan Crabtree and made the motion to appoint Ms. Wardinski to the position with a term effective March 29, 2016 through June 30, 2018. Mr. Albaugh seconded the motion. MOTION CARRIED (5-0-0).

Mr. Romines also recommended Dan De Bassio to fill the third Participating Employee Representative position with a term effective May 26, 2016 through June 30, 2019. Ms. Moreno made the motion to appoint Mr. De Bassio as the third Participating Employee Representative. Ms. Wardinski seconded. MOTION CARRIED (6-0-0).

Ms. Stipkovich also made a motion to extend Mr. Albaugh's term to June 30, 2017. Mr. Romines seconded. MOTION CARRIED (5-0-1). Mr. Albaugh abstained.

#### C. SUB-COMMITTEE REPORT – APPROVAL OF INVESTMENT POLICY

Ms. Laszlo discussed all the amendments that the sub-committee had incorporated in the investment policy; specifically adding it will cover all the plans and not just voluntary 457. Mr. Romines made a motion to accept the policy as amended together with the recommended language of “comparable funds” and “specified deadline” under the Terminated Investment Option section and the new composition of the deferred compensation committee with their terms of service. Mr. Albaugh seconded. MOTION CARRIED (6-0-0).

Ms. Riley mentioned that ICMA-RC has a new report called Uptick that provides metrics for benchmarking and can take the place of the annual review. Ms. Riley will be providing more information at the next quarterly meeting and mentioned IPADS will be made available for each member during the presentation. The committee can also decide at the next meeting if they would like this report to be presented on a quarterly basis.

### V. NEW BUSINESS

#### D. MESIROW REVIEW – Q4-2015

Ms. Riley reviewed the Mesirow POLICE report as of December 31, 2015. The Vanguard Target Date Funds are still on the watch list for investment policy and the Equity Income Fund and Columbia Acorn are on the watch list for performance with Columbia Acorn also on the watch list for organization.

#### E. AUTO-REBALANCING – CONCEPT AND AVAILABILITY

Ms. Riley introduced the Auto-Rebalancing feature which is an on-line option where participants who choose their own funds and select their allocations can check a box for ICMA-RC to rebalance their individually designed portfolio. There is no cost associated with this feature and ICMA-RC Retirement Plan Specialist, Ryan Carpenter and Client Services can assist the participants if they wanted this option. Mr. Johnson recommended that ICMA-RC conduct a lunch time workshop that will discuss this new feature. Mr. Albaugh made a motion to offer the Auto-Rebalancing feature to the City's participants. Ms. Moreno seconded the motion. MOTION CARRIED (6-0-0).

#### G. PLAN DOCUMENT AMENDMENT TO ALLOW EMPLOYER CONTRIBUTIONS

Ms. Viha discussed a proposed amendment to the 457 plan document that will allow employer contributions to be credited to the participant's account. The language is recommended by Mr. Johnson in order to accommodate a proposed MOU for the APA bargaining group that included an employer contribution to the member's 457 plan. Mr. Albaugh made motion to approve the amendment. Ms. Moreno seconded. MOTION CARRIED (6-0-0).

## H. PLAN DOCUMENT REVIEW – FORMULATE SUB-COMMITTEE

Ms. Vlha informed the committee that the 457 & RHS plan documents need to be reviewed and updated and a sub-committee should be created to perform these tasks. Mr. McLeod, Mr. Romines and Ms. Wardinski volunteered as sub-committee members. Ms. Riley will serve as an external advisor. Mr. McLeod made a motion to create the sub-committee comprising of the three volunteers. Mr. Romines seconded the motion. MOTION CARRIED (6-0-0).

## I. CONTRACT ENDS 6/30/2017 – OPTIONS: Extend or Begin RFP Process

Ms. Vlha reminded the committee that the first one-year extension of the contract with ICMA-RC will end on June 30, 2017 and an RFP should be initiated if the second one-year extension will not be exercised. Ms. Moreno made a motion to exercise the second one-year extension to extend the contract to June 30, 2018. Mr. McLeod seconded. MOTION CARRIED (4-2-0).

## J. FIDUCIARY RESPONSIBILITY OVERVIEW

Mr. Johnson reminded the committee about the Supreme Court Case *TIBBLE ET AL. v. EDISON INTERNATIONAL ET AL.* and reiterated their continuing duty to exercise prudence in the selection of funds for the City's 457 Plan. Ms. Vlha explained the City Clerk's requirements covering ethics training for members of the City's boards and committees. She encouraged Ms. Wardinski and Mr. McLeod to take the two hour ethics training as part of their fiduciary responsibilities.

## K. ICMA-RC UPDATES

Ms. Riley presented the Participation Data for California to show the benchmark studies that were conducted by ICMA-RC. The City of Anaheim has a high participation rate of 88% (excluding the participants in the PTS plan) compared to the California national average rate of 40% and the CA Tier 1 rate of 73%. Going forward, ICMA-RC will perform benchmarking by departments with the information provided by Ms. Vlha so that targeted educational plans can be offered to the under-enrolled groups.

## L. NEXT QUARTER MEETING DATE

Ms. Vlha mentioned the next committee is only seven weeks away due to the delayed date of today's meeting and inquired if it could be moved out an additional week or two to be more in sync with future dates. Ms. Stipkovich made a motion to move the date of the second quarterly meeting to May 26, 2016 at 2:00 P.M. Mr. McLeod seconded. MOTION CARRIED (5-0-0).

## M. ADMINISTRATIVE STAFF REPORT

1. Ms. Vlha reminded the committee that the NAGDCA conference will be held in Denver from September 18, 2016 to September 21, 2016 and to obtain approval from their supervisors if they are planning to attend. Ms. Vlha and Mr. Johnson highly encouraged the new members to sign up for the workshops scheduled on Sunday, September 18.
2. Ms. Vlha requested that ICMA-RC check why the new RHS enrollment kits are not customized anymore. In the new enrollment kits, the funds are not specified and the Q&A section is generic and not specific to Anaheim.

3. Ms. Vlha inquired if ICMA-RC has revised the language about same sex couples. Ms. Riley confirmed that they are recognized as long as they are married, but not for RHS because of federal law.
4. Ms. Vlha wanted a clarification of a mailer that she received which was a notification of change of independent financial expert for Guided Pathways and if it needed a committee discussion. Ms. Riley confirmed that it was only a structural change of Morning Star absorbing a subsidiary that provides advice to them.

## **VI. COMMITTEE MEMBER COMMENTS**

Lisa Stipkovich – None.

Joe Romines – None.

David Albaugh – Mr. Albaugh asked some questions of ICMA-RC staff for clarification on how to use the “Jason button” for the Roth investment allocation options. Ms. Riley addressed Mr. Albaugh’s questions and encouraged Jason McBride and Mr. Albaugh to try the new feature and provide feedback.

Bill McLeod – Mr. McLeod is happy to be part of the committee and found the education and discussion to be informative and valuable. Mr. McLeod looks forward to working with the committee and expressed his gratitude to Ms. Vlha and staff for organizing the meeting.

Lenette Wardinski – None

## **VII. TOPICS FOR NEXT MEETING – Thursday, May 26, 2015** – New Participating Employee Representative starting, Annual Plan Review, Uptick Report, Hiring a Consultant, follow-ups for Meritain issue, auto-rebalancing and sub-committee Plan Document review.

## **VIII. ADJOURNMENT**

The meeting adjourned at 4:15p.m. Mr. Albaugh made a motion to adjourn the meeting. Mr. McLeod seconded. MOTION CARRIED (4-0-0).

Respectfully submitted:

Janice P. Garcia  
Deferred Comp Technician