

DEFERRED COMPENSATION COMMITTEE AGENDA

Thursday, May 26, 2016 - 2:00 p.m.

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

- I. APPROVAL OF MINUTES:
 - A. MARCH 29, 2016
(Discussion/Take Action)

- II. PUBLIC COMMENT:

- III. OLD BUSINESS:
 - A. RHS ISSUE: DELAYED PROCESSING BY MERITAIN – UPDATE
(Discussion/Take Action)
 - B. RETIREE-ONLY RHS PLANS–ACA Rules Impact for 960 Retired Annuitants-UPDATE
(Discussion/Take Action)
 - C. AUTO-REBALANCING – Update
Education
(Discussion/Take Action)
 - D. CONSULTANT TO OVERSEE COMMITTEE and/or PRE-RFP CONSULTANT
(Discussion/Take Action)
 - E. SUB-COMMITTEE REPORT ON PLAN DOCUMENT REVIEW
(Discussion/Take Action)

- IV. NEW BUSINESS:
 - A. ANNUAL PLAN REVIEW - 2015
(Discussion/Take Action)
 - B. MESIROW REVIEW – Q1-2016
(Discussion/Take Action)
 - C. COLLECTIVE INVESTMENT TRUSTS (CIT) – Retail Version of VantagePoint Funds
RHS Lineup
(Discussion/Take Action)
 - D. UPTICK REPORT – Review Quarterly and Annual Options
(Discussion/Take Action)
 - E. ICMA-RC UPDATES
(Discussion/Take Action)
 - F. ADMINISTRATIVE STAFF REPORT
(Discussion/Take Action)

V. COMMITTEE MEMBER COMMENTS:

Committee Member: Debbie Moreno
Committee Member: Joe Romines
Committee Member: Lisa Stipkovich
Committee Member: David Albaugh
Committee Member: Lenette Wardinski
Committee Member: Dan DeBassio
Committee Member: Bill McLeod

VI. TOPICS FOR NEXT MEETING – *Thursday, August 18, 2016* AWT – 9th Floor Utilities Large Conference Room

VII. ADJOURNMENT

CERTIFICATION

I certify that a copy of this notice was posted by 5:00 p.m. on May 23, 2016 at the City Council Chambers. Agenda documents are available for review in the Human Resources Office, 5th Fl, AWT. Signed: _____
Dona Vlha – Human Resources Analyst II

**HUMAN RESOURCES
DEFERRED COMPENSATION COMMITTEE MEETING
9th Floor LARGE CONFERENCE ROOM
May 26, 2016
2:00 p.m.**

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

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

GUEST(S): Lori Riley, Tom Axline, Walid Refai, Ryan Carpenter and Dayla Cabeza De Vaca

Bill McLeod, the Committee Chair, called the meeting to order at 2:03 PM. Mr. McLeod asked everyone at the table to introduce themselves.

I. APPROVAL OF MINUTES

Debbie Moreno made a motion to approve the minutes of the March 29, 2016 Deferred Compensation Committee meeting. David Albaugh seconded the motion. MOTION CARRIED (6-0-0). Lisa Stipkovich was not yet present at this part of the meeting.

II. PUBLIC COMMENTS

None

III. OLD BUSINESS

A. RHS ISSUE: DELAYED PROCESSING BY MERITAIN - UPDATE

Lori Riley informed the committee that ICMA-RC recalculated the RHS distributions of the participants who were affected by the delayed processing and made everyone whole. ICMA-RC had also sent out letters of explanation to the affected participants. No action was taken for those participants that had experienced a loss. Mr. McLeod extended his appreciation to ICMA-RC's effort to resolve the issue.

B. RETIREE-ONLY RHS PLANS – ACA Rules Impact for 960 Retired Annuitants

Moses Johnson spoke with ICMA-RC's legal counsel regarding this issue and it was recommended that in order to comply with the 960 ACA rule for retired annuitants, retirees who are subpoenaed and asked to come back and testify should be paid on a 1099 basis. Retired annuitants returning to PT status on the City's payroll should have RHS usage turned off and be reinstated as an active employee in ICMA-RC's database. For the two retirees who returned to work earlier this year, the current process will be applied on a go-forward basis. Dona Vlha confirmed that the two

retirees have been properly informed about the new rule and ICMA-RC will deactivate their RHS benefit eligibility. Ms. Vlha is creating a letter that retired annuitants are required to sign-off acknowledging that they cannot use their RHS once they return to work for the City.

C. AUTO-REBALANCING

Ms. Vlha signed off on the form to offer the auto-rebalancing feature to City of Anaheim participants. Participants will be informed of the auto-rebalancing feature through messages on Account Access, on their quarterly statements, Monday Morning Messages and on the Benefits Bulletin. Ryan Carpenter and Dayla Cabeza De Vaca will also help increase participant awareness by discussing the new feature at Ms. Cabeza De Vaca's monthly workshops and at Mr. Carpenter's one-on-one appointments with clients.

D. CONSULTANT TO OVERSEE COMMITTEE and/or PRE-RFP CONSULTANT

The committee was consulted if they would like to hire a consultant a year prior to the RFP to provide general advice to the committee. Mr. Johnson confirmed with Mr. McLeod that there is no legal requirement to hire a consultant and that the fiduciary requirements are fulfilled with the presence of the committee and the services of Mesirov. Mr. McLeod, Mr. Albaugh, Ms. Moreno and Joe Romines all agreed that there is no need to hire a consultant one year prior to the RFP. Ms. Stipkovich suggested that a consultant be hired a few months prior to the RFP to provide time to learn about our plan and existing issues. Lenette Wardinski shared the same thoughts with Ms. Stipkovich to have a consultant prior to the RFP process. Dan DeBassio commented that in project management, it is better to hire a consultant sooner rather than later. Mr. Albaugh made a motion to hire a consultant for the RFP process with the interest of securing them in advance to attend one or two meetings prior to the RFP process and defer it for six months. Ms. Moreno seconded the motion. MOTION CARRIED (7-0-0).

E. SUB-COMMITTEE REPORT ON PLAN DOCUMENT REVIEW

The sub-committee had their first meeting and had requested a prototype of ICMA-RC's 457 Plan Document from Ms. Riley in order to compare it with the City of Anaheim's customized 457 Plan Document. Ms. Riley informed the committee that their standard Plan Document and Trust has a Private Letter Ruling (PLR) prior to 2009 and the necessary amendments that are based on legislative updates since the PLR. Mr. Johnson advised the sub-committee to compare the two documents and confirm that Anaheim's plan document is simplified, current, up-to-date and easily understood by the participants. Mr. McLeod requested Mr. Johnson to attend a sub-committee meeting so he can be consulted if they have any questions.

IV. NEW BUSINESS

A. ANNUAL PLAN REVIEW – 2015

Walid Refai presented the annual plan review starting with the economic highlights of 2015. Mr. Refai discussed the U.S. Real Gross Domestic Product growth, the Global

Real Gross Domestic Product growth, the unemployment rate and the Personal Consumption Price Index. On the Capital Markets highlights for 2015, under fixed income, investment grade performed better than the non-investment grade and the large capital stocks performed better than the small capital stocks under equities. In general, the domestic equities outperformed international equities and emerging markets underperformed the developed markets. Mr. Refai also talked about the currency performance and investment trends where growth investments outperformed value. Under the fund review, Mr. Refai discussed the performance of the various funds in the City's 457 plan such as the Stable Value PLUS Fund, the VT Vantagepoint Equity Income Fund and Columbia Acorn Z.

Ms. Riley followed-up Mr. Refai's plan review with the Plan Activity Report. The report showed that there was a 3.1% rise in the total value of the Plan since September 2015 with a 25.4% growth in assets from December 31, 2012 to December 31, 2015. There was also less roll-outs in 2015 compared to 2013 and 2014 which shows that the retention campaign by ICMA-RC staff is working. Ms. Riley also presented the Education Plan that shows the strategies employed by ICMA-RC to maintain the high participation, contribution and retention rate. Ms. Riley also discussed the various education tools to help employees engage, build and realize their retirement.

B. MESIROW REVIEW – Q1-2016

Ms. Riley reviewed the Mesirow POLICE report as of March 31, 2016. Columbia Acorn Z and the Equity Income Fund are still on the watch list for performance and all the Vanguard Target Date Funds are on the watch list for organization due to change in managers and investment style. ICMA-RC will track these funds particularly Columbia Acorn Z since it has remained on the watch list for three quarters. Ms. Riley reminded the committee that the decision to keep Columbia Acorn Z was based on the sub-committee's recommendation to maintain the fund because of its low expense ratio compared to the alternatives presented. The sub-committee tried to balance performance with cost and felt that a change in fund was not warranted at that time when the fund was recovering.

C. COLLECTIVE INVESTMENT TRUST (CIT) – RETAIL VERSION OF VANTAGEPOINT FUNDS RHS LINEUP

Mr. Refai notified the committee that three funds in the 457 plan, the VT Vantagepoint Equity Income Fund, VT Retirement Income Advantage Fund and the VT Vantagepoint Select Value Fund will be invested in the Collective Investment Trust (CIT) instead of a mutual fund that will result in realization of savings and more flexibility in investments. This change in investment will happen automatically in the 457 plan. In order to bring the same change to the Retirement Health Savings Plan, the City has to take action to accept the change to adopt the Vantage Trust II by the end of August 2016.

D. UPTICK REPORT – REVIEW QUARTERLY AND ANNUAL OPTIONS

Ms. Riley presented a sample Uptick report to the committee members for discussion. The Uptick report is a more detailed report compared to the Plan Service Report that

allows the committee to set the criteria for fund performance. The report includes an expense scorecard, detailed information about fees and expenses and risk metrics that are not included in the Plan Service Report. There is a cost associated to produce this report and Ms. Riley asked the committee if they are interested on the Uptick report to replace the Plan Service Report. This will be discussed further at the next meeting.

Mr. Refai was also invited by the committee to come and talk at the committee meeting twice a year. Mr. Refai agreed to come again at the November meeting.

E. ICMA-RC UPDATES

The ICMA-RC updates have already been covered in the annual plan review.

F. ADMINISTRATIVE STAFF REPORT

1. Ms. Vlha informed the committee that she is currently working on the travel authorizations of the committee members who will be attending the NAGDCA conference.
2. Ms. Vlha shared with the committee that she has been invited to speak at one of the NAGDCA conference sessions to talk about retention.
3. Ms. Vlha informed the committee about an ICMA-RC sponsored retiree workshop for their SoCal retirees to be held at Anaheim's Downtown Community Center. This will be a live seminar and will discuss retirement specific topics for retention.
4. Ms. Vlha followed up with Ms. Riley on the retiree letter to be distributed to retirees during their out-processing with Deferred Compensation staff.
5. Ms. Vlha reminded the committee members to complete Form 700 if they accept and attend an invitation for a luncheon or dinner from service providers at the conference.

V. **COMMITTEE MEMBER COMMENTS**

David Albaugh – Mr. Albaugh shared that it is nice to have a full table of Deferred Compensation Committee Members

Bill McLeod – None

Lenette Wardinski – Ms. Wardinski inquired about the two (2) hours ethics training. Ms. Vlha will follow-up and update Ms. Wardinski.

Dan DeBassio – Mr. DeBassio thanked the committee for the opportunity to be included to serve on this committee.

Debbie Moreno – None

Lisa Stipkovich – None

Joe Romines - None

**VI. TOPICS FOR NEXT MEETING – Wednesday, August 24, 2016 – Vote on CIT,
Plan Document Review update, Uptick Report and On-Line Tools**

VII. ADJOURNMENT

The meeting adjourned at 4:54 p.m.

Respectfully submitted:

Janice P. Garcia
Deferred Comp Technician