

Meeting Minutes – Deferred Compensation Committee



Date: Wednesday, August 3, 2017

Time: 1:00 – 5:00 p.m.

Room Location: Auditor Conference Room 3A

Status: A – Attended | X – Did Not Attend

Status	Invitees	Title
A	Dave Houser	Chair
A	Peggy Moak	Vice-Chair
A	Eric Schroth	Secretary
A	Raeshell Forrester	HR Representative
X	Pamela Knorr	Member
X	Brenda Lagrone	Member
A	Michele Martin	ICMA – Managing Vice President
A	Erika Armstrong	ICMA – Regional Manager Northern California
A	Mark Tomasini	ICMA – Retirement Plans Specialist
A	Matthew Brenner	ICMA – Managing Vice President, Investment Division
A	Dave Ramirez	Empower – Client Relationship Director
A	Darren Wagerman	Empower - Key Retirement Plan Counselor

Approval of Prior Meeting Minutes:

Approved

Public Comment:

None

Business:

1. The committee met with Vincent Galindo, Senior Consultant with Hyas Group, which was selected to provide financial advisory services, and discussed the following:
 - a. Fee Study - The committee is interested in conducting a fee study of the existing plans. Hyas estimates that the analysis can be performed in 6 to 8 weeks. The committee

would like to meet and discuss the results of the fee study prior to the next quarterly meeting.

- b. Annuity Products - The committee would like Hyas to analyze the annuity products being offered by ICMA and Empower. Hyas does not necessarily recommend these products, but if the committee wants them to be offered to their participants, Hyas can support the committee's decision. The two primary risks of these products are single issuer and portability. Hyas noted that Empower's product was preferable due to cost.
- c. Liability – Given the latest wave of lawsuits regarding 401K's, the committee inquired about the risk of lawsuits for 457 plans. Hyas reported that 457 plans are not subject to ERISA. Fiduciaries need to have a prudent process that is documented, but it is not necessary that fiduciaries always make the right decisions. The fiduciary process should monitor fund performance and fees. The committee asked whether there was greater risk having 2 plan administrators and the answer was yes.
- d. Multiple Plan Providers - The committee asked Hyas what advantages there were to having a single plan provider. Hyas reported greater economy of scale with one provider, which includes ease of management and reduced fees. Hyas roughly estimated that \$60,000 in fee savings could be realized. Although multiple plan providers is supposed to offer competition, participants rarely sign up based on competition and participants can be overwhelmed by so many choices. The switch to one provider can be difficult on the front end, but will be simpler in the long run.
- e. ICMA Performance Review - The committee discussed ICMA performance over the last two years. ICMA's fund performance reports presented statistics that were confusing and used fund performance measures that differed from the County's. It also became apparent that ICMA fees were too high. The County wants what is best for their participants and to move forward towards a single provider. The first step will be the fee analysis.
- f. Quarterly Schedule – The Committee agreed to stay on a quarterly meeting schedule due to Hyas' analysis timeline.
- g. Hyas Reports – Hyas provided a sample analytical report and offered to customize it to the committee's preference.
- h. Hyas Communication – The committee agreed that Hyas can communicate directly with the fund providers.
- i. Secured Foundations Contract – Hyas will review the Secured Foundations contract and report back to the committee.

ICMA Quarterly Review:

1. ICMA noted that funds were moved to R5 shares to reduce fees.
2. ICMA noted that the plan administration fee was removed and underperforming funds have been removed.
3. The following funds remain on the county's watch list:

- a. VT Vantagepoint MS Ret Inc. – Per ICMA, the fund met the county’s criteria for Q1, 2017.
 - b. VT Vantagepoint Discovery
4. Milestone Target Date Fund Review - Matthew Brenner discussed performance.
 - a. The Milestone funds are designed to be underperforming with knowledge that the participants have a defined benefits plan.
 - b. Longer terms funds are equity heavy and shorter term funds are more conservative.
 - c. Conservative based inflation linked investments have not performed well.
 - d. The Milestone funds use a conventional benchmark.
5. Milestone Target Date Fund Discussion - The committee asked how ICMA assures that participants choose the correct fund. ICMA responded that they cannot tell participants what is appropriate, but can educate them as to how they work. Hyas asked if the funds were performing well and the right choice for participants. ICMA responded with answers similar to 4a through 4d above, adding that the funds were protected against a market downturn. Hyas asked what was in the funds. ICMA responded real estate and less liquid investments. The committee asked why 3-year performance was low for long term as well as short term target dates. ICMA responded that the funds were biased towards small cap stocks. Hyas stated that they will need to understand the structure of the funds and will study and compare them to other funds. ICMA brought alternative funds as requested by the committee. Hyas will review the alternatives.
6. Employee Outreach -
 - a. Department meetings have been well attended.
 - b. Webinars have been well received.
 - c. There has been an increase in retirement contributions from 20 to 50 year olds.
 - d. ICMA wants to encourage enrollment in a less intimidating more festive way.

Joint Session:

1. Employee Outreach - The county HR department informed Empower and ICMA that 41% of county staff will realize a savings from health care costs in their pay checks next year. It was suggested that the fund providers take advantage of the timing to set up locations and encourage enrollment. The upcoming benefits fair September 13th would be a good opportunity. The committee supports Empower’s suggestion to hold pre-retirement seminars. The county noted that when 457 notices are grouped in an email with multiple topics, they tend to get lost.
2. Annuity Products – The providers have similar products. A big difference between traditional annuities and this product is that the underlying value is not lost and maintains liquidity. The value never drops below the amount of money that is put in. The participant may cash out or pass the cash value to a beneficiary. Payments are based on a value that is locked in. The portfolio is pre-determined. Hyas questioned the risks regarding portability and single issuer.

Empower and ICMA acknowledged the risks. Hyas expressed concern that the annuities are not appropriate for younger generations. Although participants are not limited from purchasing the product, they are targeted to older generations. Hyas noted that a participant's purchase of the annuity product removes them from the plan assets. The current participation in annuity products has not been high.

Empower Quarterly Review:

1. Empower discussed the performance of their fund lineup.
2. Empower provided three alternatives to Invesco American Value R (MSARX) as requested by the committee. The committee will defer selection of an alternative until more committee members are present and to give Hyas time to review the alternatives and make a recommendation.
3. Empower provided a glide path comparison for their target date funds between more conservative, less conservative, and a target peer group.
4. Empower demonstrated their new enhanced public website set to roll out August 25th.
5. The committee suggested that the internal website be improved to show historical information for more than 3 years. It is difficult to determine growth based on earnings because contributions are netted in the balance growth charts (prefer growth with contributions and earnings shown separately). It would be helpful to show total portfolio return as well as return per fund and return over a selected period of time that is more than 3 years.

Outstanding Action Items:

1. Hyas to provide fee study prior to next quarterly meeting.
2. Hyas to review Secured Foundations contract.
3. Hyas to review alternatives provided by ICMA for their Milestone funds.
4. Hyas to review alternatives provided by Empower for Invesco American Value R (MSARX).
5. HR to work with IS and Empower to get the electronic file information necessary to automate contribution changes and enrollment
6. HR/Plan Providers to look at Plan statistics and try to figure out why the information is not accurate (numbers)

Meeting Adjourned