

## Meeting Minutes – Deferred Compensation Committee



**Date:** Wednesday, August 24, 2016

**Time:** 2:00 – 5:00 p.m.

**Room Location:** HR Training Rm. - 2279 Del Oro Suite G

Status: A – Attended | X – Did Not Attend

Status	Invitees	Title
X	Brian Ring	Chair
A	Dave Houser	Vice-Chair
A	Eric Schroth	Secretary
A	Raeshell Forrester	HR Representative
A	Peggy Moak	Member
A	Brenda Lagrone	Member
A	Michele Martin	ICMA – Managing Vice President
A	Erika Armstrong	ICMA – Vice President Institutional Sales
A	Mark Tomasini	ICMA – Retirement Plans Specialist
X	Dave Ramirez	Empower – Client Relationship Director
A	Darren Wagerman	Empower - Key Retirement Plan Counselor

### Approval of Prior Meeting Minutes:

Approved

### Public Comment:

Tim Snellings, Butte County Director of Development Services provided the following public comment:

1. The ICMA fee structure seems high compared to non-retirement investments. ICMA responded that the fees shown in the financial reports do not reflect what participants are paying. The issue was discussed prior to receiving comment from Mr. Snellings. See item 2 under ICMA's quarterly review for further discussion.
2. How do Butte County's fees compare to other counties? ICMA will bring in comparisons at a future meeting.
3. Can records be provided at the department level? County HR might be able to provide info. ICMA can provide information at departmental meetings or safety meetings.

**Business:**

1. Dave Houser presented a draft RFP for financial advisory services. The committee was not able to receive input from Brian Ring prior to the meeting and does not want to provide final approval until his input is received. Other committee members may continue to submit comments.

Peggy Moak made a motion and Brenda Lagrone seconded it.

**MOTION:** Submit RFP to Brian Ring for final review and continue to accept comments during the review period.

**VOTE:** Motion approved unanimously.

**ICMA Quarterly Review:**

1. ICMA introduced Erika Armstrong as the new regional manager.
2. A new “best in class” fund lineup will be provided with revised administrative fees. The previous fee structure, referred to as R3, credited 14 out of 29 basis points back to the participants. ICMA said that it was a “messy way” of giving back credit. The new fee structure, referred to as R5, will eliminate administrative fees. The change, which saves investors a net 15 BP, is due to go into effect in October. Communication will be sent to fund participants notifying them of the elimination of administrative fees. A comparison between R3 and R5 will not be presented to fund participants.
3. The following underperforming funds were closed on June 17<sup>th</sup>:
  - a. Harbor International – Assets and contributions were move to VT Diversified International.
  - b. VT Allianz GI NFJ Dividend Value – Assets and contributions were move to VT Invesco Diversified Dividend.
  - c. VT Vantagepoint Equity Income – Assets and contributions were moved to VT Invesco Diversified Dividend.
4. The following underperforming funds were recommended for closure by ICMA:
  - a. VT Vantagepoint Aggressive Ops – Assets and contributions to be moved to VT AMG TimesSquare Mid Cap Gr.
  - b. VT Vantagepoint Growth & Income – Assets and contributions to be moved to VT Parnassus Core Equity.
  - c. VT Harbor Mid Cap Growth – Assets and contributions to be moved to VT AMG TimesSquare Mid Cap Gr.
  - d. VT Vantagepoint Select Value – Assets and contributions to be moved to VT Vantagepoint Mid-Small Co Index.

- e. VT Goldman Sachs Mid Cap Value – Assets and contributions to be moved to VT Vantagepoint Mid-Small Co Index.

Dave Houser made a motion and Peggy Moak seconded it.

**MOTION:** Move items 4d and 4e to an equivalent index fund.

**VOTE:** Motion approved unanimously.

Peggy Moak made a motion and Eric Schroth seconded it.

**MOTION:** Move items 4a through 4c as recommended by ICMA.

**VOTE:** Motion approved unanimously.

5. There will be no changes to Vantagepoint Milestone funds. It is not easy to compare milestone funds and they are conservative by design. Some participants appreciate the specific style of the fund.
6. Vantagepoint funds are being restructured from mutual funds to collective investment trusts to save costs. It is estimated that restructuring will save 4 to 6 basis points per fund on the underlying fund expense. The change from mutual fund to collective investment trust will not be apparent to county participants.
7. ICMA will be eliminating CD's from their lineup. Current investors can hold CD's until maturity. There will be no new CD investments offered.
8. The following funds were not discussed, but remain on the county's watch list from the previous quarter:
  - a. VT Vantagepoint Inflation Focused
  - b. VT Vantagepoint MS Ret Inc.
  - c. VT Vantagepoint International
  - d. VT Vantagepoint Discovery
9. Changes to the fund lineup will be effective no later than December. Notification of fee reduction and fund lineup changes will be sent in one notice.
10. ICMA plans to simplify the approach for plan participants to engage employees, build contributions and retain participants after they retire. James Collins is available to meet with employees and retirees. Webinars are also available.
11. ICMA will be offering a special type of guaranteed annuity that provides access to capital should it be needed by a plan participant.

**Joint Session:**

1. The committee discussed educational series for fiduciary responsibility. Each company can provide a lineup of suggested classes. Thirty minutes for each class was suggested. A class

covering Required Minimum Distribution (RMD) was requested by the committee. ICMA classes are geared for fiduciary responsibility, but can also provide general knowledge training. ICMA will provide classes covering fiduciary responsibility first so that the committee can document compliance with their fiduciary responsibilities.

2. County HR would like to train its personnel to handle common knowledge type issues. Online training is available and options can be provided to Brian Ring.

**Empower Quarterly Review:**

1. Empower discussed the performance of their fund lineup.
2. The following funds were recommended to be added to the county's watch list by Empower:
  - a. Great-West Templeton Global Bond Init (MXGBX)
  - b. Oppenheimer Global A Load Waived (OPPAX)
3. The following funds continue on the county's watch list:
  - a. Great-West T. Rowe Price Equity Income Fund (MXEQX)
  - b. Great West Federated Bond Init (MXFDX)
  - c. Invesco American Value R (MSARX)
  - d. Franklin Rising Dividends A Load Waived (FRDPX)
  - e. Invesco Comstock R (ACSRX)
  - f. Putnam High Yield Advantage R (PFJAX)
4. The following fund was removed from the watch list:
  - a. Great West Multi Manager Large Cap Growth Institutional (MXLGX)

Peggy Moak made a motion and Eric Schroth seconded it.

**MOTION:** Add funds to watch list per 2a and 2b, continue funds on watch list per 3a through 3f, remove fund from watch list per 4a.

**VOTE:** Motion approved unanimously.

5. Empower went over plan statistics in detail.
6. Empower suggested that a stable value fund be added to the fixed investment lineup.
7. Empower asked whether the county will allow in-plan Roth conversions. The county responded that they will, but wants to be sure that participants are educated about conversions.
8. Empower would like to add what is termed "Secured Foundations Program". The option will provide guaranteed lifetime benefits with a guaranteed rate of return to the plan. The program sounded similar to the guaranteed annuity offered from Vantagepoint and the committee felt that the addition was appropriate for parity and to provide another investment/retirement income tool for participants.

Peggy Moak made a motion and Eric Schroth seconded it.

**MOTION:** Add Secured Foundations Program to fund lineup.

**VOTE:** Motion approved unanimously.

9. Empower is ready to add auto-enrollment once it becomes law.

10. New licensing for Empower representatives will allow greater financial planning capabilities.

**Outstanding Action Items:**

- ICMA to provide a comparison of fees against other counties' plans.
- Committee to submit RFP to Brian Ring for final review and continue to accept comments during the review period.
- ICMA and Empower to provide training options.
- County to consider adding a stable value fund to Empower's fixed investment lineup.

**Meeting Adjourned**