CITY OF TORRANCE
DEFERRED COMPENSATION PLAN COMMITTEE
March 14, 2016 MEETING MINUTES

Members Present:	Ms. Dana Cortez – City Treasurer Mr. John Fellows – City Attorney Ms. Leyta Fuentes – Human Resources Administrator Ms. Mary Giordano – Assistant City Manager Mr. Eric Tsao – Finance Director
Guests:	Ms. Joan Watkins – Empower Retirement
Committee Consultants:	Mr. John Campbell and Mr. Evan Pickering - Benefit Financial Services Group ("BFSG")

CALL TO ORDER
The 4th quarter meeting of the Deferred Compensation Plan Committee (the "Committee") was called to order at 2:05pm.

ROLL CALL
The following members of the Committee were present for the entirety of the meeting: Ms. Dana Cortez, Ms. Leyta Fuentes, Mr. John Fellows, and Mr. Eric Tsao. Ms. Mary Giordano arrived to the meeting at approximately 2:20 pm.

ACCEPTANCE AND FILING OF THE DECEMBER 7, 2015 AND FEBRUARY 24, 2016 MEETING MINUTES
The following Committee members were present and unanimously accepted and approved the December 7, 2015 and February 24, 2016 meeting minutes as written: Ms. Dana Cortez, Ms. Leyta Fuentes, Mr. John Fellows, and Mr. Eric Tsao.

ADMINISTRATIVE MEETING

I. **2015 Annual Report – (BFSG)**
The Committee reviewed a draft of the 2015 Annual Report which summarizes the Plan, Committee, and investment activities for the 2015 calendar year. The Committee provides the Annual Report to City Council to assist with their oversight of the Committee. The Committee motioned to accept the 2015 Annual Report as written. The motion was unanimously approved by all Committee members present at the time: Ms. Dana Cortez, Ms. Leyta Fuentes, Mr. John Fellows, and Mr. Eric Tsao.

MOTION APPROVED, BFSG will provide the Committee a soft copy of the 2015 Annual Report for their records.

II. **Committee Bylaws / Expense Policy**
The Committee discussed an update to the Committee Bylaws proposed by BFSG. The proposed update added clarifying language that the Plan is structured in such a way that Plan recordkeeping and administration fees are borne by the participants through indirect and direct compensation (rather than borne by the City). The proposed language is consistent with the practice of the City, and is permissible by law. The purpose of adding the language to the Bylaws is to formally document the practice. Pending one request by the Committee, to include examples of indirect and direct compensation, and an update to Ms. Fuentes's position title, the Committee motioned to approve the updated Committee Bylaws. The motion was unanimously approved by all Committee members present at the meeting: Ms. Dana Cortez, Ms. Leyta Fuentes, Ms. Mary Giordano, Mr. John Fellows, and Mr. Eric Tsao.

MOTION APPROVED, BFSG will provide the Committee a soft copy of the updated Committee Bylaws to be formally approved by City Council.

III. **Quarterly Review – (Empower)**
Empower distributed a copy of the quarterly report to the Committee for their review.

IV. Outstanding Items – (Empower)

Ms. Watkins updated the Committee on the de minimus distribution from the 3121 Plan. It was noted that 318 participants were affected and notified of the cash out. The cash out distribution occurred on January 29th.

Ms. Watkins provided a history of the marketing expense budget utilized from the Plan Expense Reimbursement Account. It was noted that the last time the Account was utilized for a marketing expense was in 2012 when approximately $13,000 was utilized for a comprehensive enrollment campaign. The Committee expressed interest in conducting another campaign in the near future. Ms. Watkins will work with the Committee on possible education campaign topics.

V. Plan Expense Reimbursement Account – Annual Balance Review

The Committee reviewed the Plan Expense Reimbursement Account balance as of December 31, 2015 per the Plan Expense Reimbursement Account Policy. The Committee discussed the reserve requirement maintained to pay for qualified Plan expenses and noted that the balance was approximately two years of estimated expenses. The Committee will continue to monitor the balance in the Account on an on-going basis, but determined that a reallocation from the Account was not prudent.

INVESTMENT MEETING

I. Retirement Plan Quarterly Investment Review (4Q15) – (BFSG)

Mr. Campbell provided an overview of the capital markets and economy as of December 31, 2015. The overview included a discussion on: GDP, unemployment, inflation, and benchmark index returns. Mr. Campbell discussed the equity and fixed income sector returns to provide context to the performance of the investment options in the Plan. Additional commentary was provided on the following funds:

> **T. Rowe Price Equity Income** is currently on Watch due to relative underperformance and a recent manager change. The fund underperformed on a one-year basis largely due to an overweight to the energy sector. Due to the continued underperformance of the fund, a motion was made to keep T. Rowe Price Equity Income on Watch. The motion was unanimously approved by all Committee members present at the meeting: Ms. Dana Cortez, Ms. Leyta Fuentes, Ms. Mary Giordano, Mr. John Fellows, and Mr. Eric Tsao.
>
> **Prudential Jennison Small Company** underperformed its peer group and passive benchmark for the quarter, and on a one- and 3-year basis. The fund favors growth companies at a reasonable price and typically outperforms its peers during declining markets rather than rising markets. On a 10-year basis the fund's performance ranks in the top 39th percentile of its peers.

The Committee reviewed the evaluation methodology ranks of each of the funds in the Plan as outlined in the Investment Policy Statement ("IPS"). The average rank of the funds was 17 and the Plan-weighted rank was 18. The performance of the Plan, as allocated on December 31, 2015, was benchmarked relative to an equivalently-weighted active and passive benchmark. The Plan outperformed its active benchmark across all measured time periods. In addition, the Plan demonstrated higher risk-adjusted performance, as measured by 3-year Sharpe Ratio, and a lower weighted-expense ratio than its active benchmark.

Mr. Campbell reviewed the 3121 Part-Time Plan including assets, the performance of the investment options, and the evaluation methodology of the funds that received a score. Mr. Campbell discussed the following fund in more detail:

> **Great-West T. Rowe Price Equity Income** is currently on Watch due to relative underperformance and a recent manager change. The fund underperformed on a one-year basis largely due to an overweight to the energy sector. Due to the continued underperformance of the fund, a motion was made to keep the fund on Watch. The motion was unanimously approved by all Committee members present at the meeting: Ms. Dana Cortez, Ms. Leyta Fuentes, Ms. Mary Giordano, Mr. John Fellows, and Mr. Eric Tsao.

II. **Fund Search – (BFSG)**
Due to an insufficient amount of time, the Fund Search for the large cap value category was tabled until a future meeting.

CLOSING

A motion to adjourn the Deferred Compensation Committee meeting was unanimously approved by all Committee members present at the meeting: Ms. Dana Cortez, Ms. Leyta Fuentes, Ms. Mary Giordano, Mr. John Fellows, and Mr. Eric Tsao.

MOTION APPROVED, Deferred Compensation Plan Committee meeting adjourned at 3:05pm.

City of Torrance 457 Plan A & 401(a) Plans

Data as of 12/31/2015

Fund Performance Summary *(page 1 of 3)*

Investment Option / Benchmark	12/31/2015 3 Month	1 Year	3 Year	5 Year	10 Year	Expense Ratio
Capital Preservation						
Torrance Stable Value	**0.46**	**1.84**	**2.05**	**2.54**	**3.45**	**0.39**
Cat: Stable Value	0.37	1.47	1.44	1.72	2.75	0.75
Fixed Income						
Dodge & Cox Income	**0.13**	**-0.59**	**1.81** (20)	**3.60** (39)	**5.02** (24)	**0.44**
Metropolitan West Total Return Bond I	**-0.40**	**0.29**	**2.22** (10)	**4.69** (5)	**6.38** (1)	**0.44**
Barclays Aggregate Bond	-0.57	0.55	1.44	3.25	4.51	
Cat: Intermediate Bond	-0.59	-0.19	1.28	3.39	4.44	0.74
Templeton Global Bond Adv	**2.26**	**-4.03**	**0.03** (29)	**2.60** (28)	**7.51** (1)	**0.64**
Barclays Global Aggregate	-0.92	-3.15	-1.74	0.90	3.74	
Cat: World Bond	-0.55	-3.91	-1.34	1.53	4.19	0.87
Domestic Equity - Large Cap						
Dodge & Cox Stock	**4.54**	**-4.49**	**14.01** (13)	**11.64** (17)	**5.69** (56)	**0.52**
T. Rowe Price Equity Income	**5.67**	**-6.66**	**9.19** (88)	**8.67** (80)	**5.65** (57)	**0.66**
Russell 1000 Value	5.64	-3.83	13.08	11.27	6.16	
Cat: Large Value	4.88	-3.80	11.82	9.97	5.85	0.95
American Funds Fundamental Invs R5	**8.18**	**3.66**	**14.30** (38)	**11.53** (32)	**8.06** (11)	**0.35**
S&P 500	7.04	1.38	15.13	12.57	7.31	
Cat: Large Blend	5.64	-0.98	13.39	10.87	6.62	0.98
BlackRock Equity Index F	**7.05**	**1.45**	**15.19**	**12.64**	**7.43**	**0.18**
S&P 500	7.04	1.38	15.13	12.57	7.31	
American Funds Growth Fund of Amer R5	**7.83**	**5.65**	**15.83** (49)	**12.39** (44)	**7.50** (52)	**0.38**
T. Rowe Price Blue Chip Growth	**9.86**	**11.15**	**19.80** (3)	**15.63** (1)	**9.33** (9)	**0.72**
Russell 1000 Growth	7.32	5.67	16.83	13.53	8.53	
Cat: Large Growth	6.94	4.10	15.64	11.97	7.59	1.02
Domestic Equity - Mid Cap						
JPMorgan Mid Cap Value Instl	**3.62**	**-2.35**	**14.07** (22)	**12.86** (1)	**8.77** (9)	**0.75**
Russell Mid Cap Value	3.12	-4.78	13.40	11.25	7.61	
Cat: Mid Value	2.67	-5.31	11.70	9.36	6.91	1.08

Funds listed in **Green** are scheduled to be added.
Funds listed in **Red** are scheduled to be removed.
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City of Torrance 457 Plan A & 401(a) Plans

Data as of 12/31/2015

Fund Performance Summary *(page 2 of 3)*

Investment Option / Benchmark	12/31/2015 3 Month	1 Year	3 Year	5 Year	10 Year	Expense Ratio
Domestic Equity - Mid Cap						
Fidelity Advisor® Leveraged Co Stkl	**2.44**	**-5.52**	**10.94** (69)	**9.66** (49)	**7.47** (30)	**0.81**
Russell Mid Cap	3.62	-2.44	14.18	11.44	8.00	
Cat: Mid Blend	2.40	-4.53	11.77	9.21	6.51	1.15
BlackRock Mid-Cap Equity Index F	**2.64**	**-2.07**	**12.85**	**10.74**	**8.27**	**0.25**
S&P MidCap 400	2.60	-2.18	12.76	10.68	8.18	
T. Rowe Price Mid-Cap Growth	**5.16**	**6.56**	**18.18** (3)	**13.19** (6)	**10.12** (4)	**0.77**
Russell Mid Cap Growth	4.12	-0.20	14.88	11.54	8.16	
Cat: Mid Growth	3.42	-0.55	13.07	9.77	7.54	1.13
Domestic Equity - Small Cap						
Columbia Small Cap Value Fund II Z	**2.30**	**-2.90**	**12.49** (12)	**9.74** (13)	**7.18** (22)	**1.08**
Russell 2000 Value	2.88	-7.47	9.06	7.67	5.57	
Cat: Small Value	2.07	-6.44	9.51	7.77	6.32	1.20
BlackRock Russell 2000® Index F	**3.68**	**-4.16**	**11.93**	**9.41**	**6.96**	**0.26**
Russell 2000	3.59	-4.41	11.65	9.19	6.80	
Prudential Jennison Small Company Z	**2.27**	**-3.55**	**11.96** (61)	**9.40** (55)	**7.79** (39)	**0.83**
Russell 2000 Growth	4.32	-1.38	14.28	10.67	7.95	
Cat: Small Growth	2.95	-2.25	12.36	9.59	7.41	1.20
International Equity						
Vanguard International Growth Adm	**7.09**	**-0.54**	**4.98** (37)	**3.74** (36)	**4.80** (19)	**0.34**
Artisan International Investor	**6.81**	**-3.85**	**6.03** (22)	**6.75** (5)	**5.05** (15)	**1.17**
MSCI ACWI ex USA	3.24	-5.66	1.50	1.06	2.92	
Cat: Foreign Large Equity	3.76	-0.98	4.11	3.06	3.20	1.15
BlackRock EAFE® Equity Index F	**4.01**	**-0.53**	**4.78**	**3.78**	**3.25**	**0.27**
MSCI EAFE	4.71	-0.81	5.01	3.60	3.03	
DFA Emerging Markets I	**-0.48**	**-15.81**	**-7.10** (59)	**-4.63** (51)	**3.95** (32)	**0.56**
Oppenheimer Developing Markets Y	**4.67**	**-13.84**	**-3.68** (29)	**-2.29** (18)	**6.16** (3)	**1.05**
MSCI EM	0.66	-14.92	-6.76	-4.81	3.61	
Cat: Diversified Emerging Markets	0.97	-13.35	-5.49	-4.24	3.30	1.41

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City of Torrance 457 Plan A & 401(a) Plans

Data as of 12/31/2015

Fund Performance Summary *(page 3 of 3)*

Investment Option / Benchmark	12/31/2015 3 Month	1 Year	3 Year	5 Year	10 Year	Expense Ratio
Lifestyle						
Torrance Conservative	**2.23**	**0.66**	**5.64**	**5.75**	**5.64**	**0.50**
65% BC Agg / 35% S&P 500	2.11	1.06	6.19	6.61	5.77	
Cat: Conservative Allocation	0.70	-3.19	2.58	4.50	4.60	1.01
Torrance Moderate	**3.25**	**0.34**	**7.84**	**7.22**	**6.13**	**0.53**
40% BC Agg / 60% S&P 500	4.01	1.28	9.62	8.95	6.48	
Cat: Moderate Allocation	3.01	-1.59	7.74	7.36	5.93	0.99
Torrance Aggressive	**4.20**	**-0.10**	**9.97**	**8.56**	**6.48**	**0.57**
20% BC Agg / 80% S&P 500	5.52	1.31	12.37	10.83	7.02	
Cat: Aggressive Allocation	3.49	-3.11	8.05	7.18	4.94	1.24

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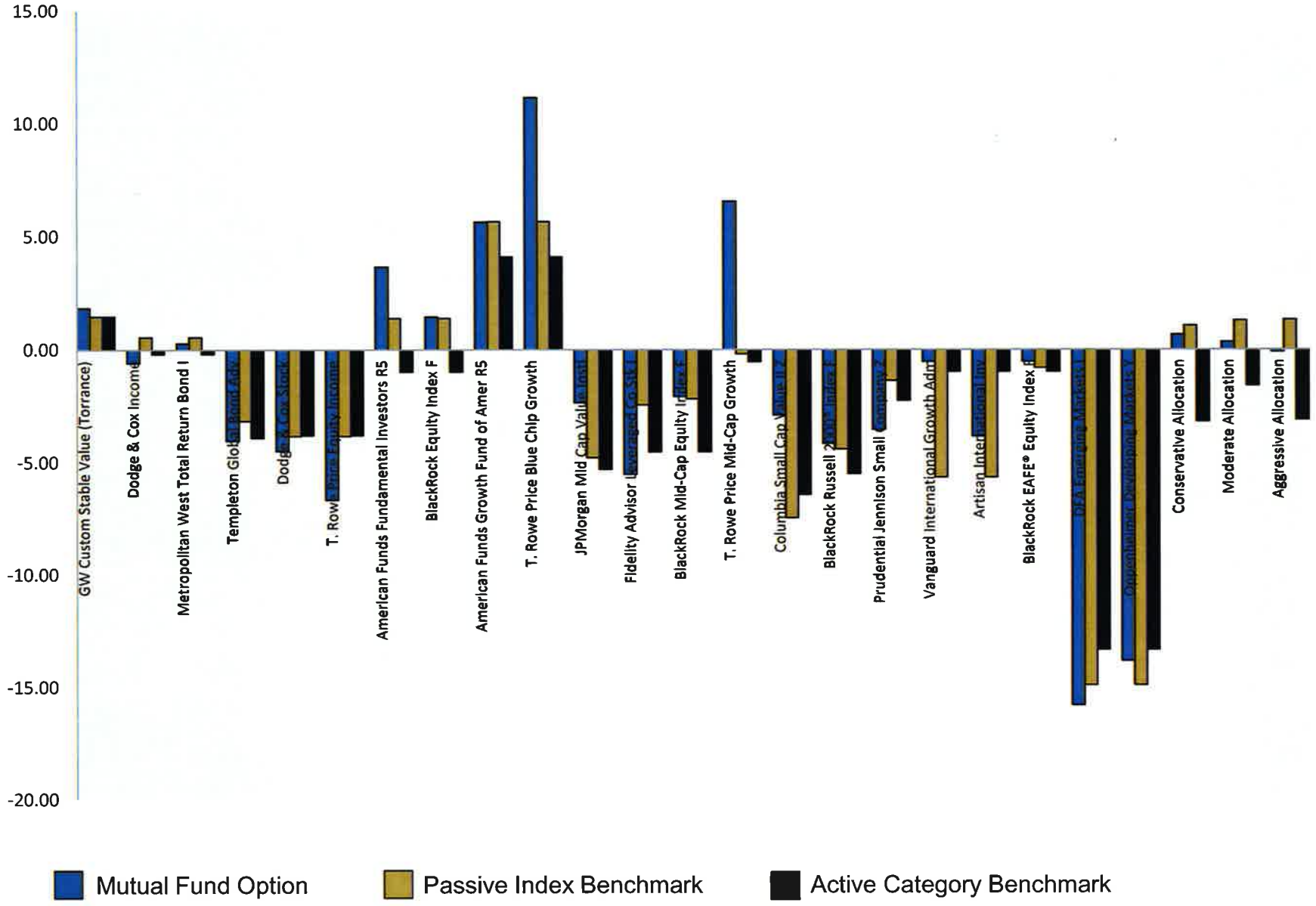
City of Torrance 457 Plan A & 401(a) Plans

Data as of 12/31/2015

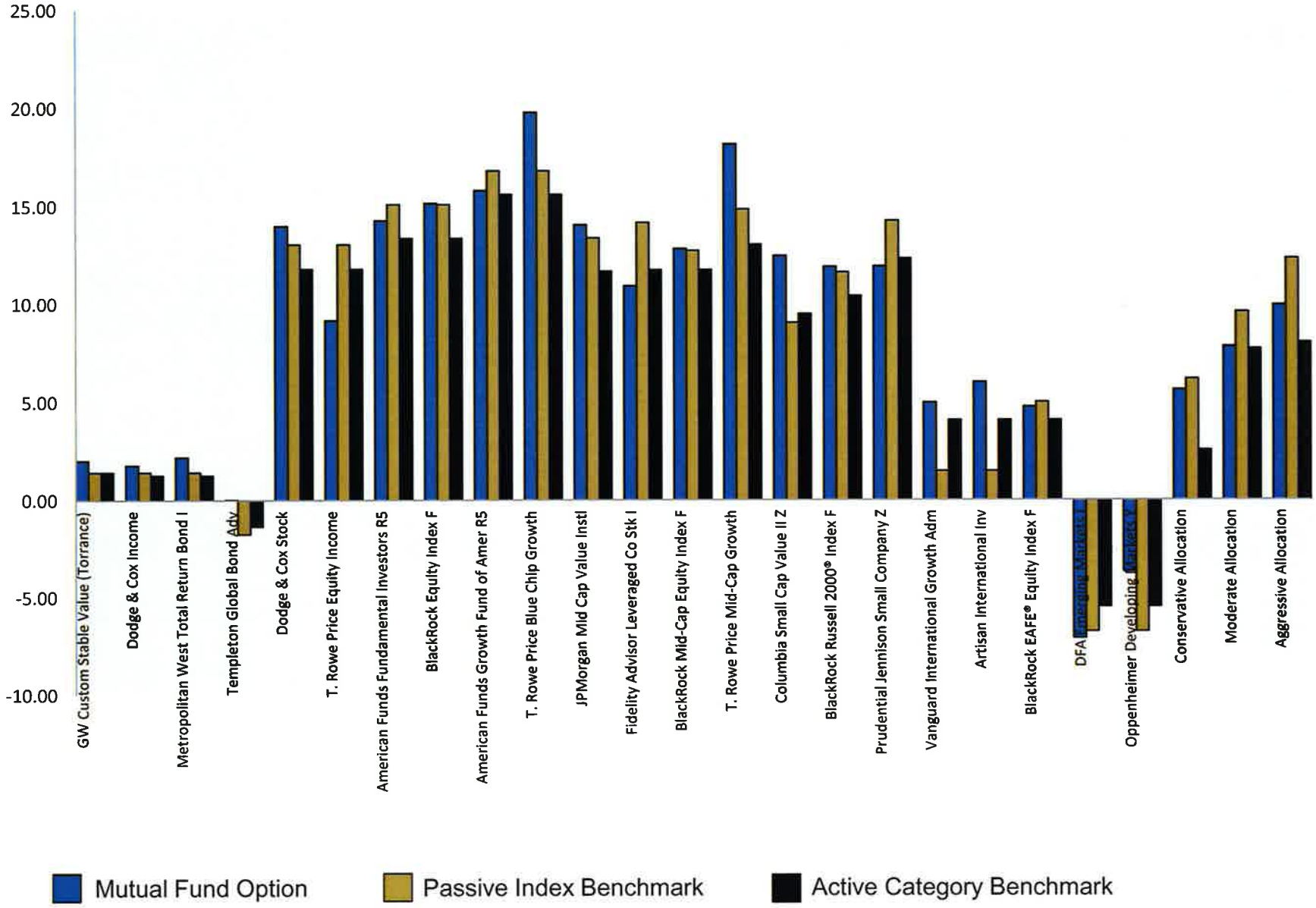
1-Year Fund Performance vs. Index and Category Benchmark



City of Torrance 457 Plan A & 401(a) Plans

Data as of 12/31/2015

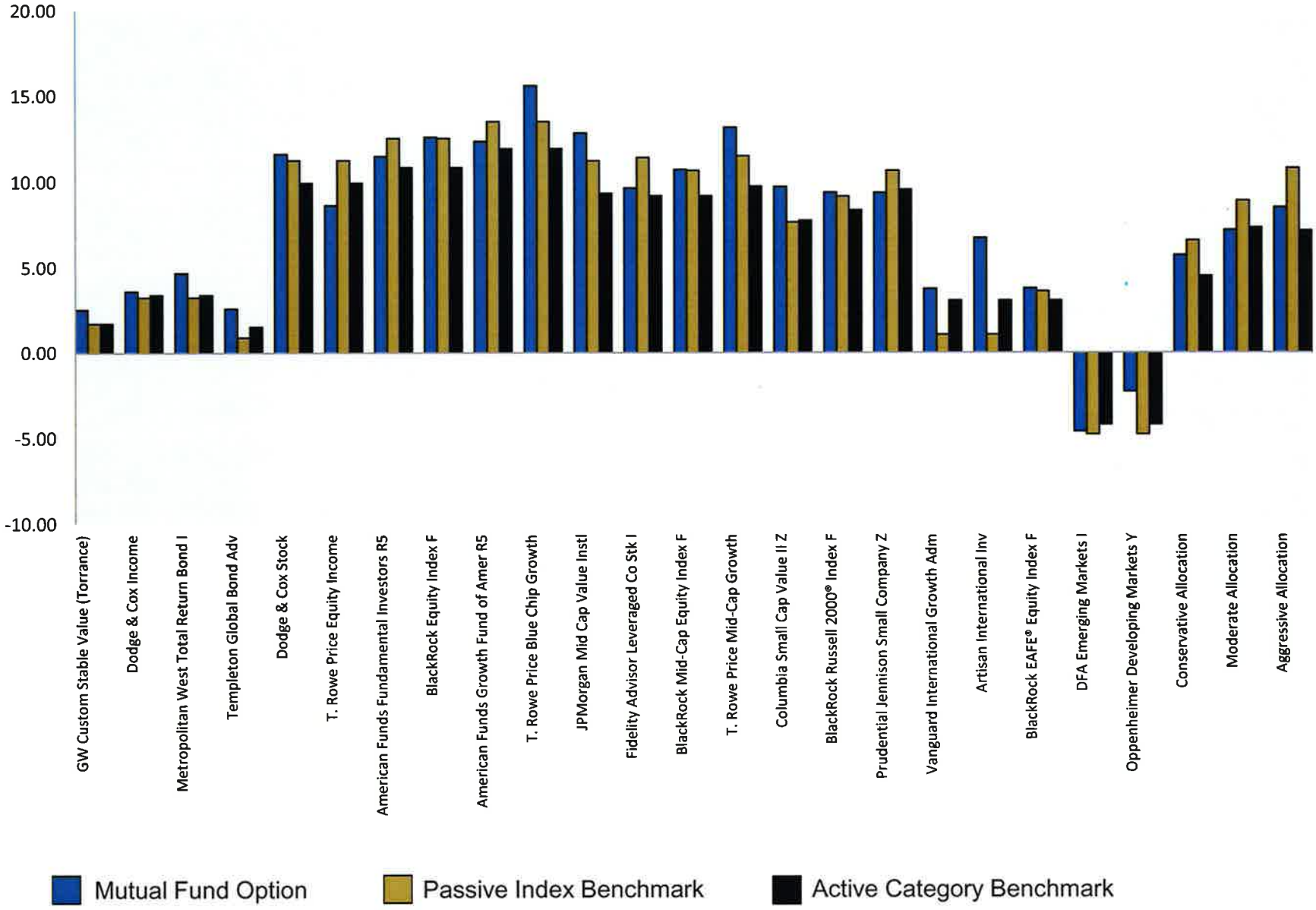
3-Year Fund Performance vs. Index and Category Benchmark



City of Torrance 457 Plan A & 401(a) Plans

Data as of 12/31/2015

5-Year Fund Performance vs. Index and Category Benchmark



City of Torrance 457 Plan B

Data as of 12/31/2015

Fund Performance Summary *(page 1 of 3)*

12/31/2015						
Investment Option / Benchmark	3 Month	1 Year	3 Year	5 Year	10 Year	Expense Ratio
Capital Preservation						
Torrance Stable Value	**0.46**	**1.84**	**2.05**	**2.54**	**3.45**	**0.39**
Great West Guaranteed Certificate	**Current Rates: 36 mo. = 0.70%; 60 mo. = 0.80%; 84 mo. = 1.00%**					**N/A**
Cat: Stable Value	0.37	1.47	1.44	1.72	2.75	0.75
Fixed Income						
Metropolitan West Total Return Bond I	**-0.40**	**0.29**	**2.22** (10)	**4.69** (5)	**6.38** (1)	**0.44**
Barclays Aggregate Bond	-0.57	0.55	1.44	3.25	4.51	
Cat: Intermediate Bond	-0.59	-0.19	1.28	3.39	4.44	0.74
Great-West Loomis Sayles Bond Init	**-1.88**	**-6.55**	**1.46** (45)	**4.83** (20)	**6.39** (14)	**0.90**
Barclays Multiverse	-0.89	-3.29	-1.68	1.01	3.80	
Cat: Multisector Bond	-0.38	-1.62	1.39	4.02	5.50	0.97
Putnam High Yield Advantage R	**-2.75**	**-5.62**	**0.73** (76)	**3.86** (72)	**5.85** (53)	**1.28**
BofAML US HY Master	-2.17	-4.64	1.64	4.84	6.81	
Cat: High Yield Bond	-1.96	-3.92	1.47	4.31	5.84	0.91
Hybrid / Balanced						
Janus Balanced T	**4.24**	**0.48**	**9.20** (31)	**8.31** (32)	**7.50** (10)	**0.83**
40% BC Agg / 60% S&P 500	4.01	1.28	9.62	8.95	6.48	
Cat: Moderate Allocation	3.01	-1.59	7.74	7.36	5.93	0.99
Domestic Equity - Large Cap						
Great-West T. Rowe Price Eq Inc Init	**5.77**	**-6.89**	**9.14** (88)	**8.60** (81)	**5.49** (62)	**0.83**
Russell 1000 Value	5.64	-3.83	13.08	11.27	6.16	
Cat: Large Value	4.88	-3.80	11.82	9.97	5.85	0.95
American Funds Fundamental Invs R4	**8.11**	**3.35**	**13.95** (45)	**11.19** (45)	**7.73** (15)	**0.66**
S&P 500	7.04	1.38	15.13	12.57	7.31	
Cat: Large Blend	5.64	-0.98	13.39	10.87	6.62	0.98

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City of Torrance 457 Plan B

Data as of 12/31/2015

Fund Performance Summary *(page 2 of 3)*

Investment Option / Benchmark	12/31/2015 3 Month	1 Year	3 Year	5 Year	10 Year	Expense Ratio
Domestic Equity - Large Cap						
Great-West Stock Index Initial	**6.56**	**0.56**	**14.31**	**11.79**	**6.81**	**0.60**
Great-West S&P 500® Index Init	**6.92**	**0.75**	**14.44**	**11.91**	**6.67**	**0.60**
S&P 500	7.04	1.38	15.13	12.57	7.31	
American Funds Growth Fund of Amer R4	**7.75**	**5.34**	**15.48** (56)	**12.05** (51)	**7.17** (61)	**0.67**
Russell 1000 Growth	7.32	5.67	16.83	13.53	8.53	
Cat: Large Growth	6.94	4.10	15.64	11.97	7.59	1.02
Domestic Equity - Mid Cap						
JPMorgan Mid Cap Value A	**3.48**	**-2.82**	**13.51** (27)	**12.31** (5)	**8.24** (19)	**1.24**
Russell Mid Cap Value	3.12	-4.78	13.40	11.25	7.61	
Cat: Mid Value	2.67	-5.31	11.70	9.36	6.91	1.08
Ariel Appreciation Investor	**4.78**	**-6.22**	**14.04** (22)	**10.40** (38)	**7.56** (30)	**1.13**
Russell Mid Cap	3.62	-2.44	14.18	11.44	8.00	
Cat: Mid Blend	2.40	-4.53	11.77	9.21	6.51	1.15
Great-West T. Rowe Price Mid Cp Gr Init	**5.09**	**6.52**	**17.88** (4)	**12.85** (8)	**9.67** (10)	**1.03**
Russell Mid Cap Growth	4.12	-0.20	14.88	11.54	8.16	
Cat: Mid Growth	3.42	-0.55	13.07	9.77	7.54	1.13
Domestic Equity - Small Cap						
Great-West Loomis Sayles Sm Cp Val Init	**3.28**	**-3.46**	**10.94** (56)	**9.17** (42)	**7.27** (29)	**1.09**
Russell 2000	3.59	-4.41	11.65	9.19	6.80	
Cat: Small Blend	2.59	-5.51	10.43	8.39	6.34	1.20
BlackRock Russell 2000® Index F	**3.68**	**-4.16**	**11.93**	**9.41**	**6.96**	**0.26**
Russell 2000	3.59	-4.41	11.65	9.19	6.80	
Prudential Jennison Small Company A	**2.21**	**-3.82**	**11.66** (65)	**9.09** (63)	**7.55** (47)	**1.13**
Russell 2000 Growth	4.32	-1.38	14.28	10.67	7.95	
Cat: Small Growth	2.95	-2.25	12.36	9.59	7.41	1.20

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City of Torrance 457 Plan B

Data as of 12/31/2015

Fund Performance Summary *(page 3 of 3)*

Investment Option / Benchmark	12/31/2015 3 Month	1 Year	3 Year	5 Year	10 Year	Expense Ratio
International Equity						
Oppenheimer Global A	**5.60**	**3.89**	**10.36** (22)	**8.19** (27)	**5.76** (37)	**1.14**
MSCI World	5.50	-0.87	9.63	7.59	4.98	
Cat: World Stock	4.42	-1.32	8.50	6.79	5.18	1.20
Artisan International Investor	**6.81**	**-3.85**	**6.03** (22)	**6.75** (5)	**5.05** (15)	**1.17**
Great-West MFS International Gr Init	**2.75**	**0.00**	**3.81** (56)	**4.21** (25)	**4.82** (18)	**1.20**
MSCI ACWI ex USA	3.24	-5.66	1.50	1.06	2.92	
Cat: Foreign Large Equity	3.76	-0.98	4.11	3.06	3.20	1.15
Lifecycle						
Great-West Lifetime 2015 II T	**1.59**	**-1.15**	**4.53** (63)	**5.34** (43)	**N/A** (N/A)	**0.87**
S&P Target Date 2015	2.21	-0.16	5.71	5.76	5.01	
Cat: Target Date 2011-2015	1.70	-1.20	4.67	5.20	4.89	0.80
Great-West Lifetime 2025 II T	**2.38**	**-1.41**	**6.26** (66)	**6.23** (46)	**N/A** (N/A)	**0.91**
S&P Target Date 2025	3.04	-0.25	7.21	6.69	5.39	
Cat: Target Date 2021-2025	2.63	-1.43	6.30	6.32	4.76	0.86
Great-West Lifetime 2035 II T	**3.56**	**-1.64**	**8.08** (47)	**7.20** (37)	**N/A** (N/A)	**0.97**
S&P Target Date 2035	3.70	-0.35	8.37	7.38	5.52	
Cat: Target Date 2031-2035	3.62	-1.64	7.66	7.05	5.06	0.90
Great-West Lifetime 2045 II T	**4.08**	**-1.93**	**8.36** (54)	**7.28** (45)	**N/A** (N/A)	**0.96**
S&P Target Date 2045	4.10	-0.46	9.00	7.76	5.56	
Cat: Target Date 2041-2045	4.05	-1.75	8.15	7.35	5.28	0.91
Great-West Lifetime 2055 II T	**4.11**	**-2.13**	**8.02** (78)	**7.01** (73)	**N/A** (N/A)	**0.97**
S&P Target Date 2055+	4.41	-0.54	9.50	8.11	N/A	
Cat: Target Date 2051+	4.29	-1.40	8.64	7.51	N/A	0.90

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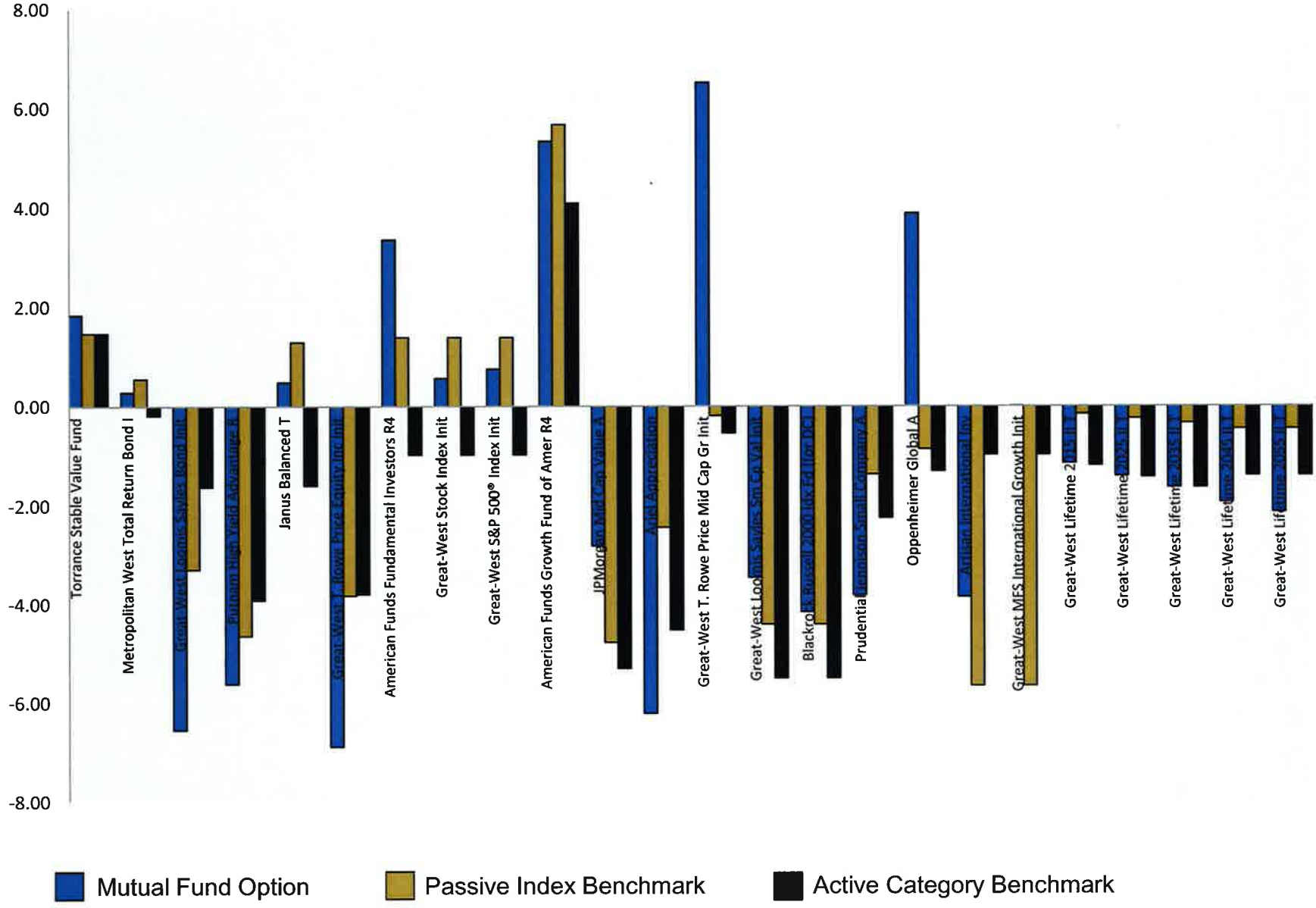
City of Torrance 457 Plan B

Data as of 12/31/2015

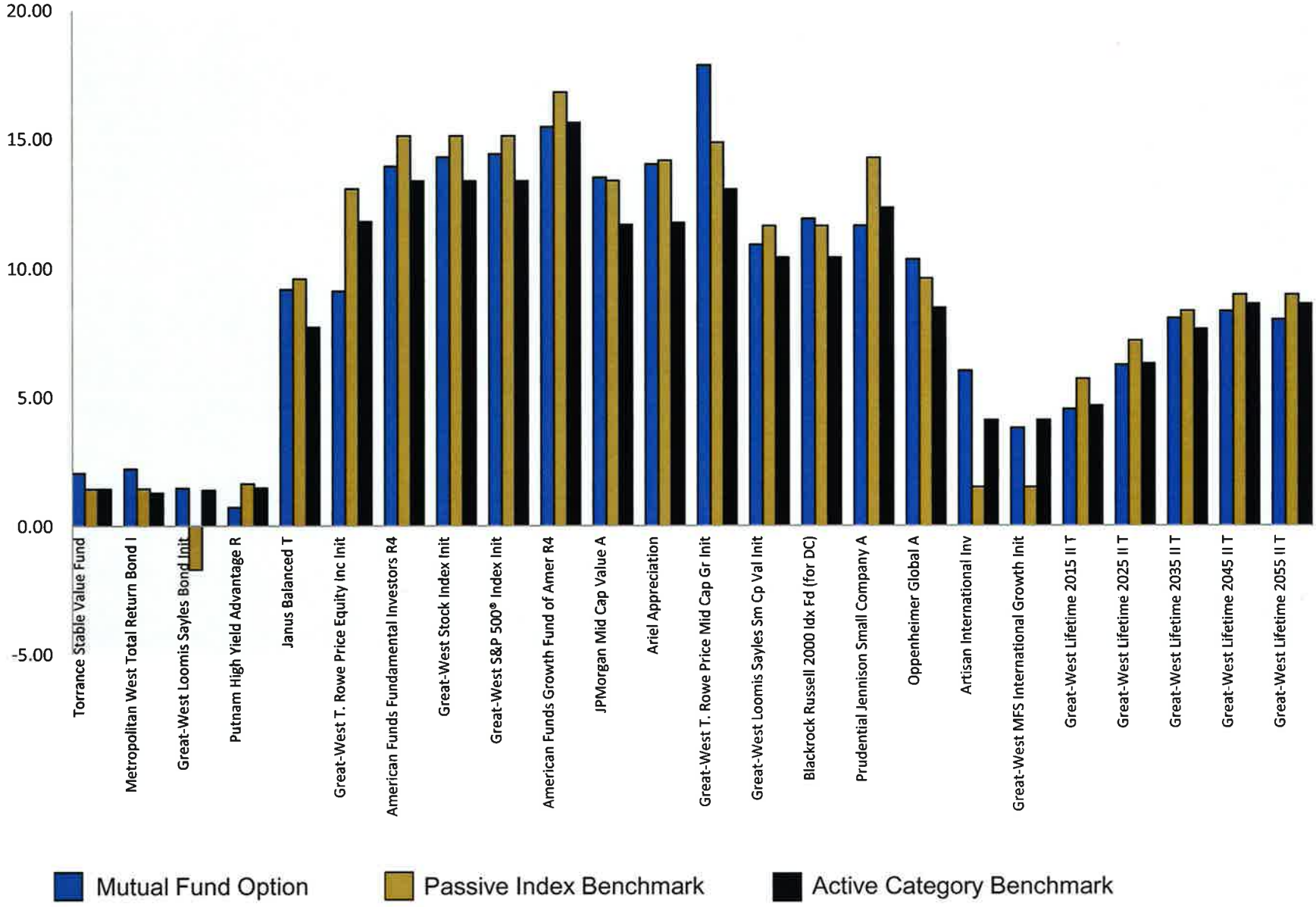
1-Year Fund Performance vs. Index and Category Benchmark



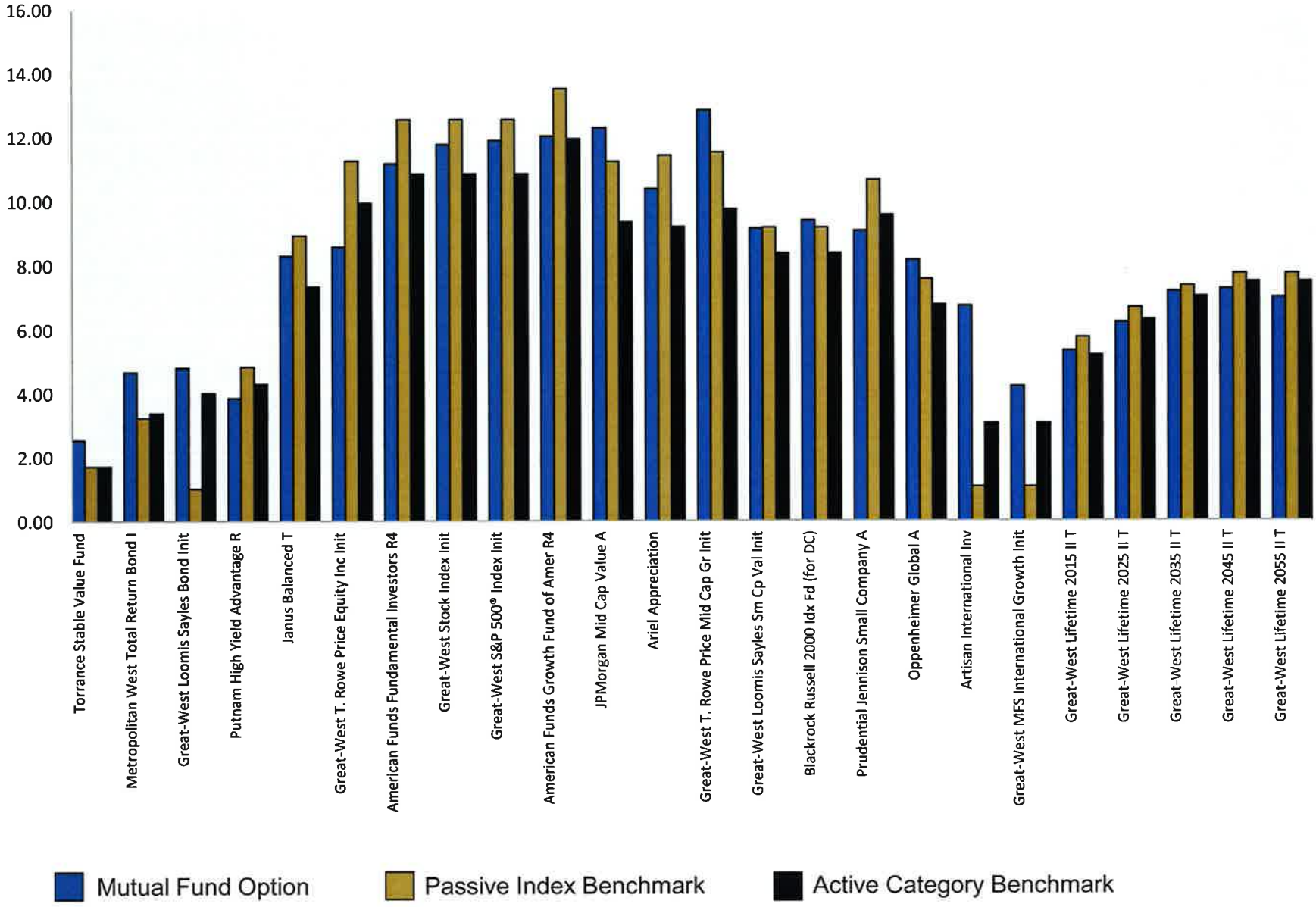
City of Torrance 457 Plan B

Data as of 12/31/2015

3-Year Fund Performance vs. Index and Category Benchmark



City of Torrance 457 Plan B

Data as of 12/31/2015

5-Year Fund Performance vs. Index and Category Benchmark