

CITY OF TORRANCE

DEFERRED COMPENSATION PLAN COMMITTEE

March 7, 2013 MEETING MINUTES

Members Present: Ms. Dana Cortez – City Treasurer
Mr. Eric Tsao – Finance Director
Mr. John Fellows – City Attorney

Members Absent: Ms. Mary Giordano – Assist. City Manager

Guests: Ms. Carol Say – Great-West Retirement Services
Ms. Usha Archer – Great-West Retirement Services

Committee Consultants: Mr. John Campbell and Mr. Evan Pickering - Benefit Funding Services Group (“BFSG”)

CALL TO ORDER

The fourth quarter meeting of the Deferred Compensation Committee (the “Committee”) was called to order at 10:30am, it was noted although all members were not present a voting quorum was in attendance.

INVESTMENT MEETING

I. ACCEPTANCE AND FILING OF DECEMBER 6, 2012 MEETING MINUTES

A motion to accept and file the December 6, 2012 meeting minutes was seconded and unanimously accepted by the Committee.

II. Retirement Plan Quarterly Investment Review (4Q12)

BFSG provided an overview of the capital markets detailing jobs, GDP, and inflation (core and headline) statistics. Also discussed by sector were the fixed income and equity markets. This overview provided context for the performance of the funds in the Plan. Due to time constraints Mr. Campbell discussed in more detail only one noteworthy fund.

Alliance Bernstein International Growth has lagged its peer group and benchmark in returns across one, 3, and 5-year time horizon. In early 2011 the fund’s team went through some restructuring but the performance has continued to struggle since then. The fund is currently positioned with an overweight to consumer staples which contributed to the underperformance for the quarter.

A review of the Lifestyle offerings demonstrated over a one year basis all of the models outperformed their benchmark and category average.

As of December 31, 2012, there were four funds ranked as “perform” with the remainder ranked as “outperform.” The Plan’s average rank as of the reporting period was 13, and its weighted rank was 14, which are both considered “outperform.”

Plan-level returns demonstrated outperformance against the passive benchmark and peer group across all measured time periods (3-month, one, 3, and 5-years), and doing so with a higher Sharpe ratio (risk-adjusted return).

The Part-Time (3121) Plan fund performance was reviewed. Two funds ranked as “underperform” per the Investment Policy Statement and eleven funds ranking as “outperform.” Mr. Campbell provided more detailed discussion on the following:

Ariel Appreciation has lagged its benchmark and peers over a 3- and 10-year basis but has outperformed on a medium (5-year) basis. The fund lost a manager last year; however his responsibilities were replaced internally. The fund is overweight financials and consumer discretionary which has benefited the performance of this fund for the year.

Lord Abnett Value Opportunities significantly underperformed for the year. An overweight of materials and industrials contributed to the fund lagging the benchmark and its peers; however,

over a 5-year basis the fund remains an outperformer. The fund managers look for stable and profitable companies, which has been a consistent investment philosophy.

ADMINISTRATIVE MEETING

III. Great-West Annual Plan Review

Ms. Archer presented the Great-West Annual Plan Review. The review included a Plan summary detailing assets, participant statistics, contribution data and loan information. Program Milestones were discussed outlining the changes and upgrades Great-West has made to their systems, including website redesign and fee disclosure launch. A target goal was established for a participation rate, however it was noted that the participation rate has remained rather consistent despite historical efforts to boost this figure. Another target goal was established for contribution amount which was thought to be easier to raise than the participation rate.

Also briefly covered was the Plan Quarterly Report, which reviewed assets, participation, and contribution information for the quarter.

IV. Plan Expense Account – Historical Accounting

An overview of the historical accounting of the revenue account was covered which included data from 1990 through December 2012. The current amount of assets in the revenue account is approximately \$584,000. A look at revenue generated for the years 2009-2012 introduced a discussion around the amount of revenue expected on a go-forward basis. BFSG will bring a stress test next quarter outlining expectations of revenue generation based on potential market fluctuation.

Based on the analysis the Committee will work with BFSG on drafting a Plan expense reimbursement account (PERA) policy which will outline specifics on how to manage the excess revenue account.

V. De Minimis Accounts

The Committee weighed the costs and benefits of cashing out the de minimis accounts in the Plan. It was determined that more information was necessary to make such a decision. Great-West offered to provide information regarding the number of inactive accounts that could possibly be affected when considering account balances under \$1,000 and the number of inactive accounts that would be affected when considering a two-year and three-year inactivity. Great-West will construct this analysis for further discussion at the next quarterly meeting.

VI. Closing

The Deferred Compensation Committee meeting adjourned at 11:50 pm.