

CITY OF TORRANCE
DEFERRED COMPENSATION PLAN COMMITTEE
JUNE 16, 2010 MEETING MINUTES

- Members Present:** Ms. Linda Barnett – City Treasurer
Ms. Elaine Winer – HR Director
Mr. Eric Tsao – Finance Director
Mr. John Fellows – City Attorney
- Ms. Mary Giordano – Assist. City Manager (excused)
- Guests:** Ms. Dana Cortez – Deputy City Treasurer
Mr. Kent Morris – Great-West Retirement Services
- Committee Consultants:** Mr. John Campbell and Ms. Rachel Fequiere - Benefit Funding Services Group (“BFSG”)

CALL TO ORDER

A special meeting of the Deferred Compensation Committee (the “Committee”) was called to order by Linda Barnett on June 16, 2010 at 10:35 am. The meeting was intended to review updates provided by Great West with regards to their educational meetings, financial planning rollout, and fixed income options, and the first quarter 2010 City of Torrance deferred compensation plans (the “Plans”) performance report prepared by BFSG.

Ms. Barnett advised that Ms. Dana Cortez has been elected City Treasurer effective July 14, 2010. Ms. Cortez will replace Ms. Barnett as Treasurer and as a member of the Committee.

ADMINISTRATIVE MEETING

1. GREAT-WEST RETIREMENT SERVICES

Mr. Morris provided an update with regards to the initiatives set forth for Great-West for the Plans. He reported that the Annual Employee Communication Plan is currently in draft form. Scheduled educational updates include the change to the Fixed Fund Option and the reduction in fees, which resulted from the recent Request for Proposal process that the City went through. The newly reduced fees will be effective within 30 days following the receipt of the executed contract by Great-West, which is anticipated to be July 1st.

Financial Planning seminars are also in draft form and are expected to be rolled out during the third quarter of 2010. Seminars are being considered for both the third quarter of 2010 and the first quarter of 2011, with the possibility of one-on-one sessions immediately following the seminars. The time of day for the seminars will be determined, pending a discussion with Ms. Giordano. A communication announcing the availability of the seminars will be included in the overall employee communications plan.

Other potential seminar topics include targeting participants with just one fund; catch-up contributions; and increasing deferral rates.

Ms. Cortez will work with Great-West to schedule employee seminars accordingly.

A discussion ensued regarding the possibility of forcing out terminated participants with low account balances in the Plans. After discussion, a motion was made, seconded, and voted unanimously to move forward with forcing out low, terminated account balances, as permitted by plan regulations.

INVESTMENT MEETING

2. APPROVAL OF MARCH 25, 2010 MEETING MINUTES

A motion was made to approve the minutes. The motion was seconded and unanimously voted as approved.

3. RETIREMENT PLAN QUARTERLY INVESTMENT REVIEW

Mr. Campbell reviewed the Retirement Plan Quarterly Investment Review (the "Report") prepared by BFSG. He provided an update on the state of the economy and proceeded to review each fund offered in the Plans.

Due to an unforeseen emergency, Mr. Fellows excused himself from the meeting at 11:15 am.

Mr. Campbell reported that seven of the twelve actively-managed funds in the 457 Plan A and 401(a) Plans were ranked as "outperform" (in the top 25th percentile of their peer group); four of the funds were ranked as "perform;" and one fund (Artisan International) was ranked as "underperform" (in the bottom 50th percentile of its peer group).

Artisan International and Alliance Bernstein International Growth were both noted as being similar in strategy and lagging their peers. The Artisan fund's returns reflect the addition of a recent bad quarter's performance and the dropping off of a good quarter's performance, which caused the funds overall rank to drop from the 28th percentile to the 55th percentile. The Alliance Bernstein fund posted more positive returns than the Artisan fund, but demonstrated weakness in down markets, style consistency, and cost. As such, Mr. Campbell proposed that both funds be more closely scrutinized at the next Committee meeting.

Overall, the funds in the Plans have an average rank of 19 (outperform), and a Plan-weighted rank of 15 (outperform), for the quarter ending March 31, 2010.

Ms. Fequiere reviewed the Plans' asset allocation through the end of the first quarter 2010. The 457 Plan A ended the period with \$116.5 million in assets, and the 401(a) Plans ended the period with \$5.8 million in assets.

Mr. Campbell reviewed the 457 Plan B (part-time plan). Six of the fifteen are ranked as "outperform," five are ranked as "perform," and the remaining four were ranked as "underperform." Each fund was reviewed with particular emphasis on those that are ranked as "underperform." American Century Ultra has had some manager turnover and lagging performance on a 5 and 10-year basis. Oppenheimer Capital Appreciation also experienced a manager change and posted lagging 3 and 5-year performance. Columbia Mid Cap Value posted lagging 3 and 5-year performance due to an overweighting in financials and an underweighting in energy. The Artisan International fund is ranked as "underperform" for the reasons stated above.

Mr. Campbell proposed closer scrutiny for the Artisan International, Alliance Bernstein International Growth, American Century Ultra, Oppenheimer Capital Appreciation, and Columbia Mid Cap Value.

The Committee discussed the "Watch List" associated with the Plans, and whether or not funds on the Watch List should be communicated to participants as previously done. Reasons for communicating to participants (keeping them abreast of Committee's oversight) and reasons for not communicating to participants (such as the perceived endorsement by the City for a participant to take action and move out of a fund that may be temporarily struggling) were discussed. It was agreed that this topic should be reviewed in greater detail at the next Committee meeting. As such, BFSG will add it to the next meeting agenda accordingly.

4. TRUST ACCOUNT

Ms. Barnett advised that a trust reimbursement account had been accumulating at Great West for use by the City to pay qualified plan-related expenses. These expenses may include advisor fees, Committee education, and employee education. The account is funded based on mutual fund revenue sharing amounts received by Great West above and beyond what is required in order to administer the Plans. To date, the trust account balance is approximately \$343,000.

5. ADJOURNMENT

With no further items to address, the meeting was adjourned at 12:20 pm.