

CITY OF TORRANCE
DEFERRED COMPENSATION PLAN COMMITTEE
SEPTEMBER 30, 2010 MEETING MINUTES

- Members Present:** Ms. Dana Cortez – 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. Usha Archer – Great-West Retirement Services
Ms. Carol Say – Great-West Retirement Services
Mr. Al Cunningham – Advised Asset Group, LLC, a subsidiary of Great-West Life
- 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 Dana Cortez on September 30, 2010 at 10:10 am. The meeting was intended to review updates provided by Great West with regards to the City of Torrance Custom Stable Value, the Great West Guaranteed Lifetime Withdrawal Option product, the on-going rollout of financial planning services to participants, and the second quarter 2010 City of Torrance deferred compensation plans (the “Plans”) performance report prepared by BFSG.

ADMINISTRATIVE MEETING

1. GREAT-WEST RETIREMENT SERVICES

Mr. Cunningham presented a report detailing the current structure, portfolio, strategy, and yield in the City of Torrance Custom Stable Value fund. His report demonstrated that, per the Stable Value fund Investment Policy Statement, the fund currently holds all governmental securities with a AAA rating, an average duration of 2.2 years, and a competitive yield as compared to other stable value products. The Committee asked whether the portfolio should be further diversified with non-governmental securities due to the pre-payment risks inherent with being in just one segment. After discussion, it was agreed that Mr. Cunningham should work with Mr. Campbell to review the current Investment Policy Statement so that they may make portfolio composition suggestions at the next meeting for the Committee’s consideration.

Ms. Archer and Ms. Say provided an update with regards to the employee financial planning seminars, noting that they had commenced on September 29, 2010, and involved group meetings conducted around the lunch time hours. Great West will track success measurements and will report back to the Committee on a quarterly basis. The Committee discussed the announcements for the seminars and asked that more lead time be provided by Great West so that City employees may have a greater opportunity to plan their schedules in order to attend. Whenever possible, City managers should also be included in the communications scheduling so that they may help promote and boost meeting attendance. Ms. Archer and Ms. Say committed to accommodating these requests.

Ms. Archer introduced a new Great-West guaranteed lifetime withdrawal option product, “SecureFoundation.” She noted that the product is similar to an annuity; however, it offers greater flexibility. Mr. Campbell proposed having BFSG draft a list of questions to send to Great-West to further analyze this product. The Committee concurred and asked that the questions and responses be presented for discussion at the next Committee meeting.

Ms. Archer provided a second quarter update with regards to the Plans’ asset allocation, activity, and demographic make-up. In order to help determine how employees are contributing towards their own retirement savings, Ms. Archer was asked to provide a report demonstrating the number of employees who

are actually contributing to the Plans versus those that only receive a contribution from the City. She committed to providing the information as requested at the next Committee meeting.

2. DISCUSSION ITEMS

In the interest of time, the Expense Policy discussion has been tabled until the next Committee meeting.

The Administrative meeting adjourned at 11:20 a.m.

INVESTMENT MEETING

3. APPROVAL OF JUNE 16, 2010 MEETING MINUTES

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

4. RETIREMENT PLAN QUARTERLY INVESTMENT REVIEW

Mr. Campbell reviewed the Retirement Plan Quarterly Investment Review (the "Report") prepared by BFSG. He noted that seven of the twelve actively-managed funds in the 457 Plan A and 401(a) Plans continue to be ranked as "outperform" (in the top 25th percentile of their peer group), and the five remaining funds were ranked as "perform" for the quarter ending June 30, 2010. Overall, the Plan's funds have an average ranking of 19, and a Plan-weighted ranking of 15, which are both considered "outperform."

Each of the funds in the Plans was reviewed. Noteworthy funds for the quarter included: Dodge & Cox Stock, which has lagged its peers due to an overweighting in financials and poor stock selection on the part of the manager; Growth Fund of America, which continues to be a strong fund over the long term, however, it has been lagging its peers on a shorter-term basis due to having been overweighted in financials in 2008 and overweighted in cash in 2009; Fidelity Adv Leveraged Co Stock, which is designed to perform well in up markets, and was noted as being a very volatile fund that purchases highly leveraged companies; and Columbia Small Cap Value II, which has lagged its peers due to being overweighted in financial and energy stocks.

Mr. Campbell reviewed the performance of the custom Asset Allocation Funds. He noted that as compared to other life-style-type funds in the market, these funds may be slightly underweighted in the international sector.

A review of the 457 Plan B (part-time plan) fund performance demonstrated significant underperformance in the Oppenheimer Capital Appreciation fund against its peers on a 3 and 5-year basis. Further, the fund has had a new manager assigned. As such, BFSG recommends placing the fund on the Watch List for closer scrutiny, and presenting a Fund Search with alternate Large Cap Growth funds for the Committee's consideration at the next meeting. The Committee agreed.

5. DISCUSSION ITEMS

The Committee discussed the criteria that would warrant placing a fund on the Plans' "Watch List." As both qualitative and quantitative information is discussed when evaluating the funds it was agreed that official placement on the "Watch List" would be determined as warranted. Meeting minutes shall reflect discussions and decisions made relative to a funds placement on the Watch List. The minutes and will be made available for interested Plan participants to view.

6. ADJOURNMENT

The Deferred Compensation Committee meeting adjourned at 11:55 a.m.