CITY OF TORRANCE
DEFERRED COMPENSATION PLAN COMMITTEE
June 16, 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, Ms. Carol Say, and Mr. Greg Gower – Empower Retirement
Committee Consultants:	Mr. John Campbell and Mr. Evan Pickering - Benefit Financial Services Group ("BFSG")

CALL TO ORDER
The 1st quarter meeting of the Deferred Compensation Plan Committee (the "Committee") was called to order at 2:00pm.

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, Ms. Mary Giordano and Mr. Eric Tsao.

ACCEPTANCE AND FILING OF THE MARCH 14, 2016 MEETING MINUTES
Pending one minor change to the draft minutes, the following Committee members were present and unanimously accepted and approved the March 14, 2016 meeting minutes: Ms. Dana Cortez, Ms. Leyta Fuentes, Mr. John Fellows, Ms. Mary Giordano and Mr. Eric Tsao.

ADMINISTRATIVE MEETING

I. Strategic Partnership Plan (Empower)
Ms. Watkins provided an outline to the Committee of the 2016 strategic partnership between the City and Empower. Ms. Watkins introduced Mr. Gower who will provide a new comprehensive financial planning service to participants. The comprehensive planning service includes factors outside of the Deferred Compensation Plan. The Committee expressed interest in the new service and discussed methods for promoting it, including making the department heads aware of its availability. Ms. Watkins discussed the ways that Empower drives successful retirement outcomes for participants, which is measured by the Lifetime Income Score. The Committee discussed the Lifetime Income Score and it was noted that outside pension assets are not included in the score; however, that data can be incorporated in the comprehensive financial planning service. Ms. Watkins also previewed the new participant website, which has been redesigned to be more participant-friendly.

II. Communications Calendar – (Empower)
The Committee reviewed the communications calendar for the 2016 year. The calendar detailed the campaigns, timing, key messages, and tactics for the remaining year. The Committee discussed the best ways to communicate the campaigns to participants and noted that in the past a poster board provided the best response from employees. Empower will continue to utilize the poster board to promote the campaigns and will work with the City on other methods of communication.

III. Quarterly Review – (Empower)
Empower distributed a copy of the quarterly report to the Committee. Distributions from the Plan for the quarter were discussed and it was noted that approximately $1.8 million rolled out of the plan during that period. Empower will provide the City a "Stay in the Plan" flyer that can be provided to exiting employees which details the benefits of leaving assets in the 457 Plan.

INVESTMENT MEETING

I. Retirement Plan Quarterly Investment Review (1Q16) – (BFSG)

Mr. Campbell provided an overview of the capital markets and economy as of March 31, 2016. 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, however it outperformed both benchmarks for the quarter ending March 31, 2016. 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. A fund search was reviewed later in the meeting for available alternatives.

MOTION APPROVED, Keep T. Rowe Price Equity Income on Watch.

Fidelity Advisor Leveraged Company Stock favors companies that are highly leveraged which typically lead to the fund underperforming during declining markets. The fund underperformed its passive benchmark across all measured time periods. Due to the underperformance and the volatile nature of the fund, a motion was made to place Fidelity Advisor Leveraged Company Stock 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.

MOTION APPROVED, Fidelity Advisor Leveraged Company Stock placed on Watch.

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 19 and the Plan-weighted rank was 22. The performance of the Plan, as allocated on March 31, 2016, 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 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 receiving 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, however it outperformed both benchmarks for the quarter ending March 31, 2016. 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. A fund search was reviewed later in the meeting for available alternatives.

MOTION APPROVED, Keep Great-West T. Rowe Price Equity Income on Watch.

II. Fund Search – (BFSG)

Mr. Campbell reviewed a fund search for available alternatives for T. Rowe Price Equity Income in Plan A and Great-West T. Rowe Price Equity Income in Plan B. Returns, risk, style, and expense rankings of the alternative funds were reviewed. After review, the Committee agreed to postpone a decision until the next meeting pending continued performance improvement.

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.