Council Meeting of
February 27, 2018

Honorable Mayor and Members
of City Council
City Hall
Torrance, California

Members of Council:

SUBJECT: City Treasurer and Deferred Compensation Plan Committee - Accept and File the 2017 Deferred Compensation Plan Annual Report. Expenditure: None.

RECOMMENDATION

Recommendation of the City Treasurer and the Deferred Compensation Plan Committee that City Council accept and file the 2017 City of Torrance Deferred Compensation Plan Annual Report.

EXPENDITURE

None.

BACKGROUND

On May 25, 2010, Your Honorable Body, through passage of Resolution 2010-50, establishing a City of Torrance Deferred Compensation Committee and the Committee to serve as Plan Administrator for the City's Deferred Compensation Plan. The purpose of the committee is to monitor the performance of the investment managers and other fiduciaries to the plan, appoint, remove, and replace any investment manager and perform all non-fiduciary functions for the plan on behalf of the City (to the extent that such actions do not increase the City's cost). The Committee serves in both a "settlor's and a fiduciary capacity".

The 2017 report was presented to the committee and approved at the January 24, 2018 meeting. Both the committee and City Treasurer recommended that the City Council accept and file this report.

Respectfully submitted,

Dana Cortez
City Treasurer

NOTED:

LeRoy J. Jackson
City Manager

Attachment
A.) Deferred Compensation Plan Annual Report – 2017 Plan Year

8E

Attachment A

CITY OF TORRANCE DEFERRED COMPENSATION PLAN ANNUAL REPORT – 2017 PLAN YEAR

Benefit Financial Services Group

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SECTION 1: EXECUTIVE SUMMARY

City of Torrance Deferred Compensation Plan

The City of Torrance (the "City") maintains a governmental 457(b) Deferred Compensation Plan A, 401(a) Defined Contribution Plans, and a 3121 Part-Time Plan (collectively, the "Plans") for the benefit of eligible City employees.

The Plans are administered by Empower Retirement (previously Great-West Financial), one of the nation's largest defined contribution service providers. Their services include recordkeeping and administration, participant account maintenance, participant and plan sponsor access via website and a toll free number.

In addition to Empower Retirement, the City utilizes the services of Benefit Financial Services Group ("BFSG"). BFSG is a third party consulting firm that provides retirement plan consulting services to the retirement plans. Their consulting services include: investment analysis, performance reporting, review and recommendation of investment options, fiduciary compliance assistance, and Plan cost/revenue analysis.

While Plan participants are ultimately responsible for their own investment decisions, the City's Deferred Compensation Plan Committee (the "Committee") endeavors to provide an appropriate range of investment options, allowing participants to invest in accordance with their own time horizons, risk tolerance, and retirement goals.

The Committee was established by formal council action and meets quarterly pursuant to an agenda published in compliance with the California open meeting law, the Ralph M. Brown Act. The quarterly Committee meetings are open to the public. The Committee provides an annual report of its activities to the City Council.

The regular Committee meetings are held to provide a review of the Plan's design, investment options, asset allocation/demographics, and to make changes as necessary. The investment options are reviewed in accordance with the evaluation methodology outlined in the Plan's Investment Policy Statement ("IPS"). The evaluation methodology ranks the investment options 0 - 100 based on returns, risk, style and expense. The rank is the investment options position in its peer group with 0 - 25 characterized as "outperform," 25 - 50 as "perform," and 50 - 100 as "underperform."

SECTION 2: COMMITTEE MEETING SUMMARY & PLAN UPDATES/EVENTS

Investment Updates: Full-Time Plans		
Meeting Date	**Item**	**Update**
March 1, 2017	Watch List	The Committee placed Artisan International on Watch due to short-term underperformance.
June 29, 2017	Request for Proposal ("RFP")	The decision to formally issue an RFP was agreed upon. City Council then approved the Committee's decision, and the RFP was posted at the City Clerk's on September 22nd.
December 11, 2017	Request for Proposal ("RFP")	The Committee issued an RFP for recordkeeping and administrative services. The Committee then performed an Initial Vendor Analysis, which incorporated all 8 vendors who responded to the City's RFP. The Committee will perform a deeper dive analysis before the next regularly scheduled meeting.

Investment Updates: Part-Time Plan		
Meeting Date	**Item**	**Update**
March 1, 2017	Watch List	The Committee placed Artisan International on Watch due to short-term underperformance.
June 29, 2017	Request for Proposal ("RFP")	The decision to formally issue an RFP was agreed upon. City Council then approved the Committee's decision, and the RFP was posted at the City Clerk's on September 22nd.
September 28, 2017	Watch List	Due to continued performance improvement, the Committee agreed to remove Oppenheimer Global from the Watch List in the 3121 Part-Time Plan.
September 28, 2017	Share Class Change	The Committee agreed to move Putnam High Yield from the '"R" share class to the lower cost "Y" share class in the 3121 Plan. The changes will be made effective January 2018.
December 11, 2017	Request for Proposal ("RFP")	The Committee issued an RFP for recordkeeping and administrative services. The Committee then performed an Initial Vendor Analysis, which incorporated all 8 vendors who responded to the City's RFP. The Committee will perform a deeper dive analysis before the next regularly scheduled meeting.

Plan Updates

Meeting Date	Item	Update
March 1, 2017	Plan Expense Reimbursement ("PERA") Account Allocation	The Committee agreed to reallocate excess revenue in the PERA back to participant accounts in accordance with the PERA Policy. A total of $120,529 was refunded back to participants on May 18, 2017.
June 29, 2017	Retirement Seminar	Empower held two Preparing for Retirement seminars in March. A total of 22 people attended and 80% of attendees stated they were likely to increase their contributions to the Plan as a result.
June 29, 2017	Email Campaign	Empower began an email capture campaign as there were 500 participants without a registered email on file with Empower.
September 28, 2017	Retirement Workshop	Empower held a workshop in October called Retirement Planning: An Action Plan for Baby Boomers.
December 11, 2017	Participant Website	The Committee received a demo of the new participant website experience at the June meeting. Empower confirmed the site will go live in February 2018.

Watch List as of 12/31/2017: Full-Time Plans		
Category	Fund	Date Placed on Watch
Large Value	T. Rowe Price Equity Income	10/8/2015
Foreign Large Equity	Artisan International	03/01/2017

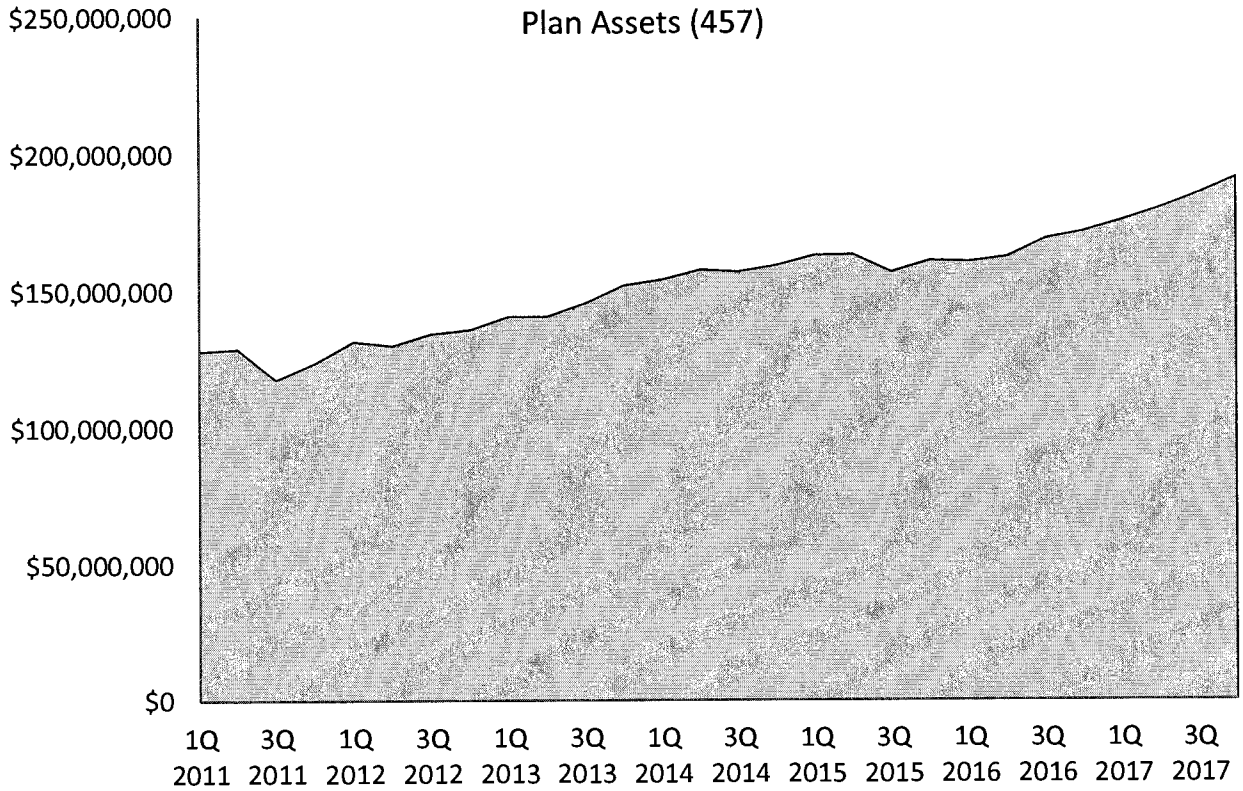
Watch List as of 12/31/2017 : Part-Time Plan		
Category	Fund	Date Placed on Watch
Large Value	Great-West T. Rowe Price Equity Income	10/8/2015
Foreign Large Equity	Artisan International	03/01/2017

SECTION 3: PLAN ASSETS / DEMOGRAPHICS
(AS OF 12/31/2017)

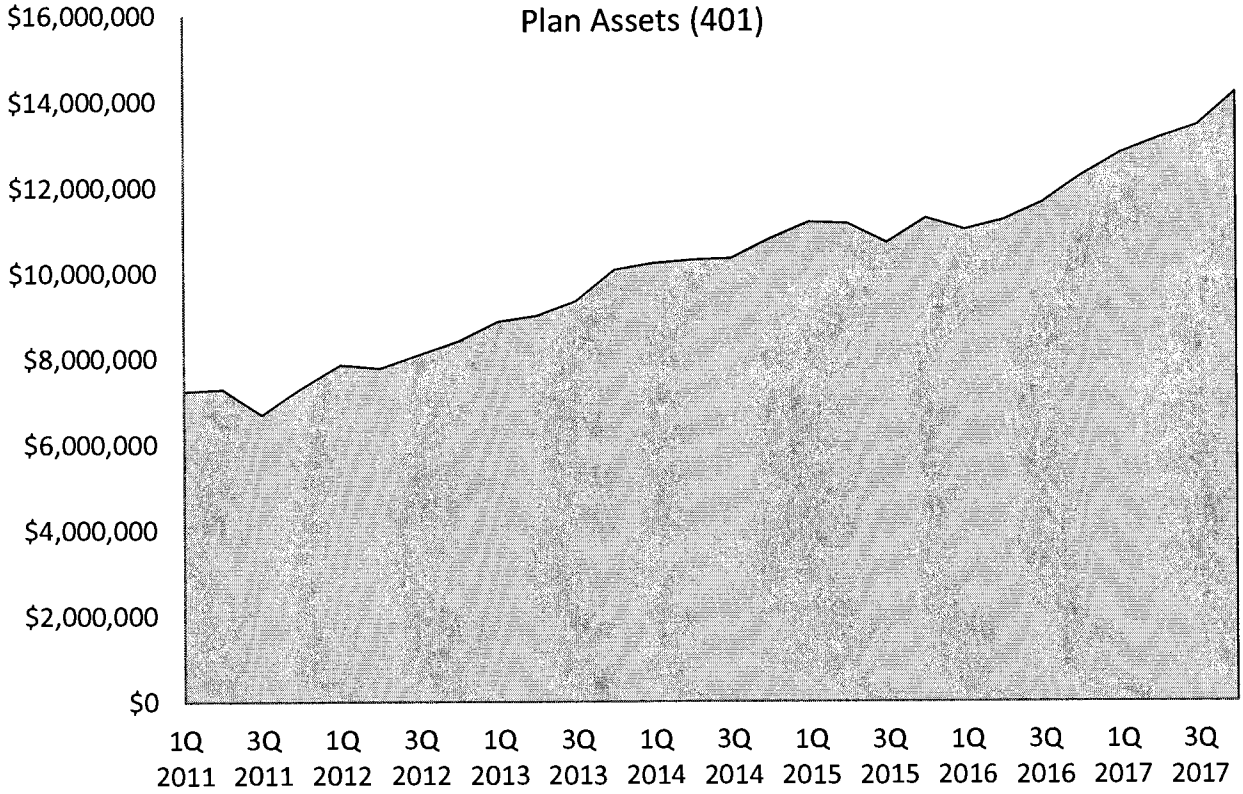
Plan Assets 457 & 401

Investment Option	% of Assets	457	401	Total Assets
Torrance Stable Value Fund	36.59%	$67,394,932	$4,531,865	$71,926,797
Torrance Aggressive Lifestyle	8.71%	$15,316,279	$1,801,441	$17,117,720
American Funds Growth Fund of Amer R5	7.52%	$14,368,874	$416,037	$14,784,912
Torrance Moderate Lifestyle	6.67%	$11,787,701	$1,316,113	$13,103,814
Dodge & Cox Stock	5.07%	$9,143,361	$828,958	$9,972,319
T. Rowe Price Mid-Cap Growth	4.70%	$8,471,228	$760,226	$9,231,454
BlackRock Mid-Cap Equity Index F	4.27%	$7,620,163	$767,301	$8,387,464
BlackRock Russell 2000® Index F	3.65%	$6,780,545	$387,373	$7,167,918
American Funds Fundamental Invs R5	3.22%	$5,799,437	$535,373	$6,334,811
BlackRock Equity Index F	3.13%	$5,828,708	$332,993	$6,161,702
Artisan International Investor	2.74%	$5,159,084	$227,296	$5,386,380
Metropolitan West Total Return Bd I	2.07%	$3,924,977	$135,623	$4,060,600
JPMorgan Mid Cap Value L	1.91%	$3,518,703	$238,055	$3,756,758
Vanguard International Growth Adm	1.82%	$3,300,541	$267,749	$3,568,290
Dodge & Cox Income	1.42%	$2,612,504	$187,669	$2,800,174
Prudential Jennison Small Company Z	1.42%	$2,206,600	$586,531	$2,793,130
T. Rowe Price Blue Chip Growth	0.93%	$1,746,059	$76,604	$1,822,663
Torrance Conservative Lifestyle	0.91%	$1,681,883	$100,082	$1,781,965
BlackRock EAFE® Equity Index F	0.76%	$1,393,505	$103,663	$1,497,169
Columbia Small Cap Value Fund II Z	0.75%	$1,356,061	$122,344	$1,478,405
T. Rowe Price Equity Income	0.67%	$1,234,678	$75,926	$1,310,604
Oppenheimer Developing Markets Y	0.43%	$775,178	$64,435	$839,614
DFA Emerging Markets I	0.36%	$645,336	$61,630	$706,966
Templeton Global Bond Adv	0.29%	$524,242	$52,324	$576,565
Total	**100.00%**	**182,590,580**	**$13,977,613**	**$196,568,193**
Self-Directed Brokerage Account		$8,697,188	$191,735	$8,888,923
Total		**$191,287,768**	**$14,169,348**	**$205,457,116**

Plan Assets 457

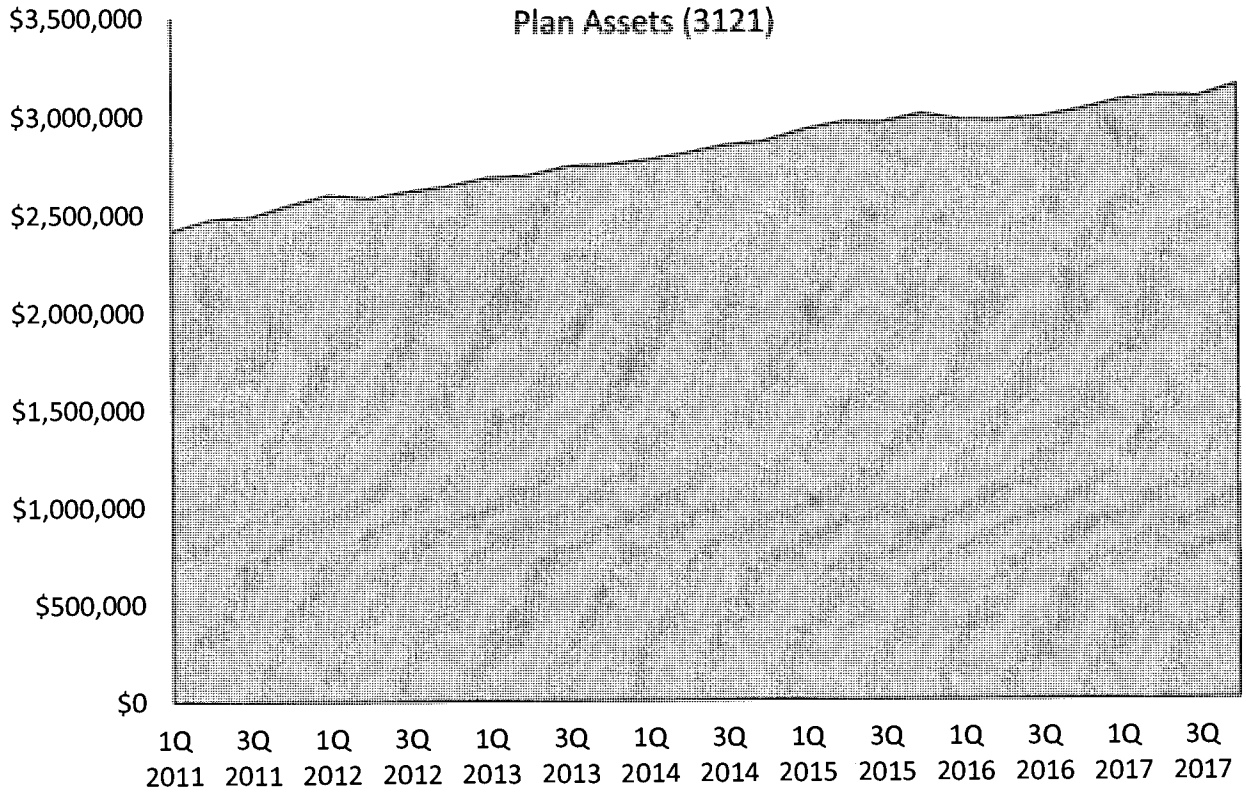


Plan Assets 401

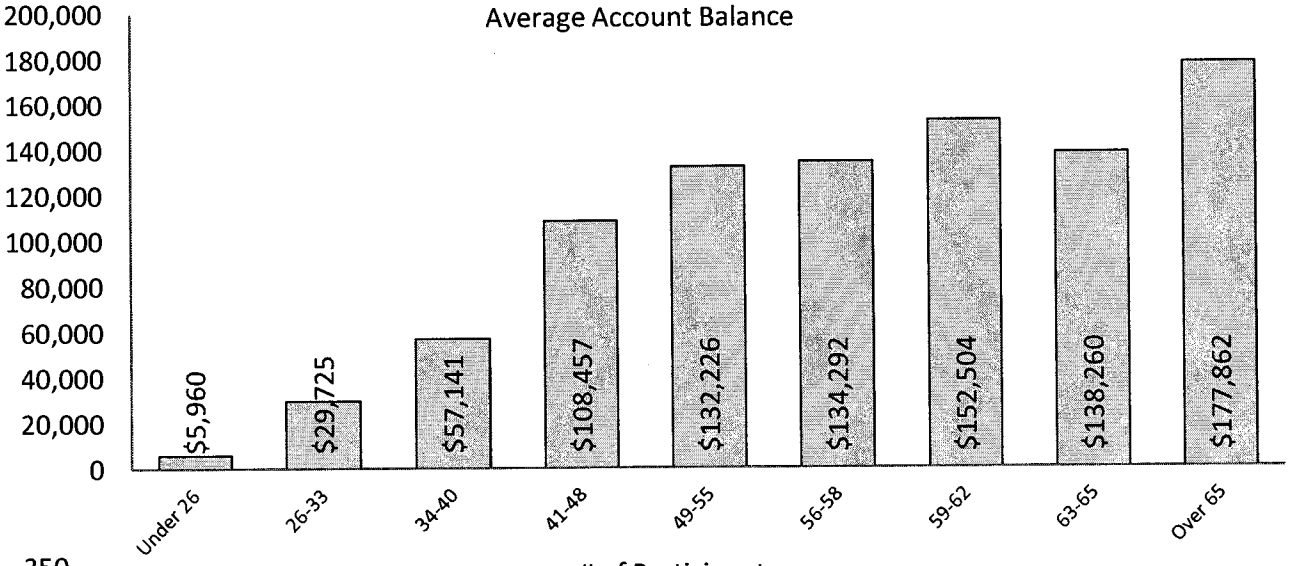


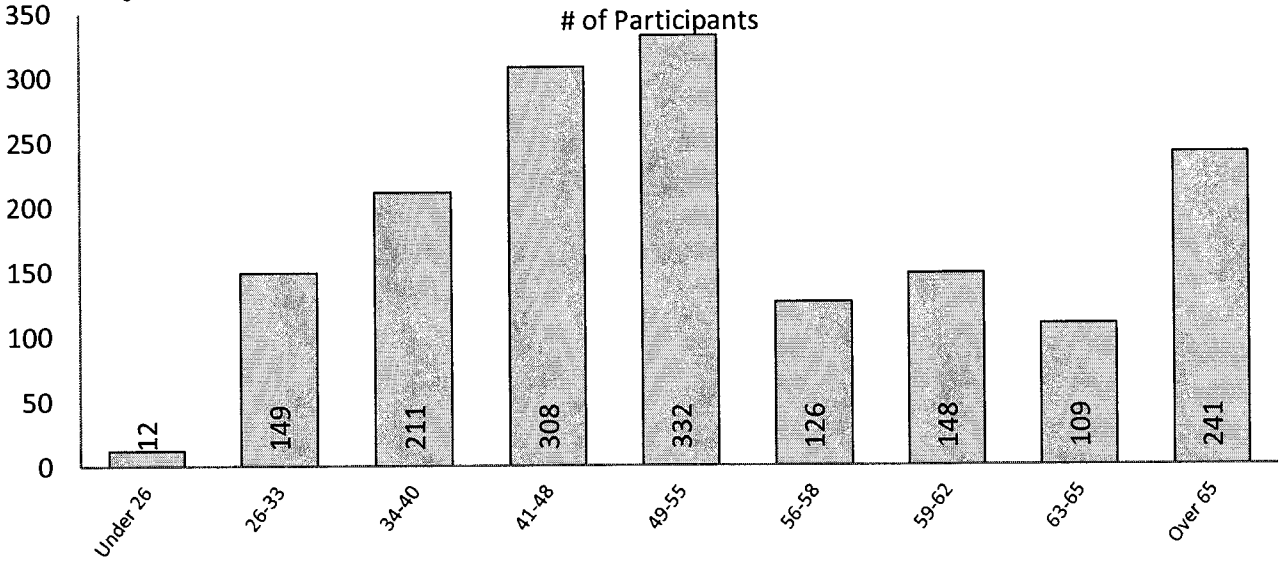
Plan Assets (Part-Time 3121)		
Investment Option	**% of Assets**	**Total Assets**
Torrance Stable Value Fund	92.21%	$2,897,284
Great-West T. Rowe Price Eq Inc Inv	1.37%	$43,152
American Funds Growth Fund of Amer R4	1.21%	$37,874
Great-West Lifetime 2035 Inv	0.79%	$24,725
BlackRock Russell 2000® Index F	0.78%	$24,585
Artisan International Investor	0.48%	$15,146
Great-West T. Rowe Price Mid Cp Gr Inv	0.41%	$12,996
Great-West MFS International Gr Inv	0.34%	$10,733
Oppenheimer Global A	0.34%	$10,604
Prudential Jennison Small Company A	0.30%	$9,332
Great-West Lifetime 2015 Inv	0.26%	$8,046
Janus Henderson Balanced T	0.24%	$7,450
Metropolitan West Total Return Bd I	0.22%	$7,069
Great-West Lifetime 2045 Inv	0.21%	$6,471
American Funds Fundamental Invs R4	0.20%	$6,283
Great-West Loomis Sayles Sm Cp Val Inv	0.19%	$6,023
Great-West Lifetime 2055 Inv	0.16%	$5,065
Great-West S&P 500® Index Investor	0.14%	$4,340
JPMorgan Mid Cap Value A	0.08%	$2,525
Ariel Appreciation Investor	0.07%	$2,350
Great-West Loomis Sayles Bond Inv	0.00%	$0
Putnam High Yield R	0.00%	$0
Great-West Lifetime 2025 Inv	0.00%	$0
Total	**100.00%**	**$3,142,053**

Plan Assets (Part-Time 3121)



Age Group Statistics 457			
Age Group	**# of Participants**	**Balance**	**Average Account Balance**
Under 26	12	$71,522	$5,960
26-33	149	$4,428,979	$29,725
34-40	211	$12,056,671	$57,141
41-48	308	$33,404,907	$108,457
49-55	332	$43,899,110	$132,226
56-58	126	$16,920,747	$134,292
59-62	148	$22,570,613	$152,504
63-65	109	$15,070,379	$138,260
Over 65	241	$42,864,841	$177,862
TOTAL	**1,636**	**$191,287,768**	**$116,924**





SECTION 4: PLAN PERFORMANCE (AS OF 12/31/2017)

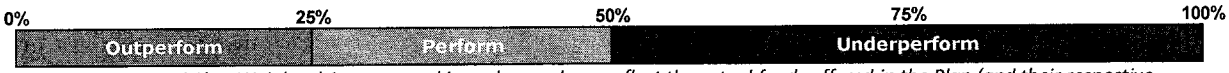
Weighted Portfolio Return Relative to Custom Benchmark (457 & 401)

Performance as of December 31, 2017	3 Month	1 Year	Annualized Returns 3 Year	5 Year	10 Year	3 YR Std Dev	3 YR Sharpe	Expense Ratio
City of Torrance Combined Plans	**3.06%**	**12.39%**	**6.78%**	**8.58%**	**6.17%**	**5.45**	**1.15**	**0.47**
Custom Benchmark - Index (Passive)	3.55%	12.91%	6.62%	8.63%	5.55%	N/A	N/A	N/A
Custom Benchmark - Category (Active)	3.03%	11.41%	5.52%	7.27%	4.82%	5.31	0.96	0.86

** Custom expense ratio represents the weighted expense (based upon current allocation) of Institutional and Retirement share classes in each asset category.*

Evaluation Methodology Summary (457 & 401)

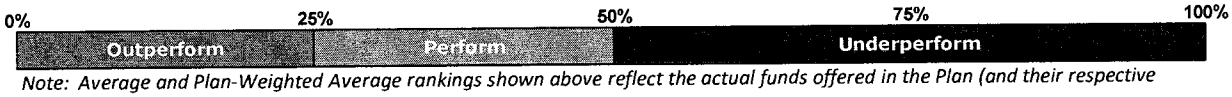
Investment Name	Quarterly Ranking 4Q17	3Q17	2Q17	1Q17
Intermediate-Term Bond				
Dodge & Cox Income	12	14	16	19
Metropolitan West Total Return Bd I	6	4	1	1
World Bond				
Templeton Global Bond Adv	33	19	17	14
Large Value				
Dodge & Cox Stock	13	14	15	19
T. Rowe Price Equity Income	40	38	47	47
Large Blend				
American Funds Fundamental Invs R5	6	5	4	3
Large Growth				
American Funds Growth Fund of Amer R5	25	28	24	18
T. Rowe Price Blue Chip Growth	1	1	1	2
Mid Blend				
JPMorgan Mid Cap Value L	6	2	1	1
Mid Growth				
T. Rowe Price Mid-Cap Growth	1	1	1	1
Small Value				
Columbia Small Cap Value II Inst	28	26	27	28
Small Growth				
Prudential Jennison Small Company Z	54	50	43	32
Foreign Large Equity				
Artisan International Investor	75	70	63	67
Vanguard International Growth Adm	0	0	0	0
Emerging Markets				
DFA Emerging Markets I	27	9	6	6
Oppenheimer Developing Markets Y	5	14	16	15
Average Rank	18	18	17	17
Plan Weighted Rank (Reweighted)	19	17	16	16



Note: Average and Plan-Weighted Average rankings shown above reflect the actual funds offered in the Plan (and their respective weightings) during the applicable quarter.

Evaluation Methodology Summary (3121)

Investment Name	Quarterly Ranking 4Q17	3Q17	2Q17	1Q17
Intermediate-Term Bond				
Metropolitan West Total Return Bd I	6	4	1	1
Multisector Bond				
Great-West Loomis Sayles Bond Inv	38	39	39	30
High Yield Bond				
Putnam High Yield R	84	82	81	78
Allocation--50-70% Equity				
Janus Henderson Balanced T	28	28	28	36
Large Value				
Great-West T. Rowe Price Eq Inc Inv	56	54	62	60
Large Blend				
American Funds Fundamental Invs R4	18	14	13	10
Large Growth				
American Funds Growth Fund of Amer R4	38	42	39	31
Mid Value				
Ariel Appreciation Investor	58	59	45	31
Mid Blend				
JPMorgan Mid Cap Value A	33	23	19	17
Mid Growth				
Great-West T. Rowe Price Mid Cp Gr Inv	3	3	3	3
Small Blend				
Great-West Loomis Sayles Sm Cp Val Inv	33	30	31	26
Small Growth				
Prudential Jennison Small Company A	73	69	64	49
World Large Stock				
Oppenheimer Global A	22	23	27	38
Foreign Large Equity				
Artisan International Investor	75	70	63	67
Great-West MFS International Gr Inv	38	31	24	32
Average Rank	40	38	36	34
Plan Weighted Rank (Reweighted)	42	41	41	35



Note: Average and Plan-Weighted Average rankings shown above reflect the actual funds offered in the Plan (and their respective weightings) during the applicable quarter.

APPENDIX A – MEETING MINUTES

CITY OF TORRANCE
DEFERRED COMPENSATION PLAN COMMITTEE
March 1, 2017 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
Members Absent:	None
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 2:00pm.

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, Mr. Eric Tsao and Ms. Mary Giordano.

ACCEPTANCE AND FILING OF THE DECEMBER 15, 2016 MEETING MINUTES
The following Committee members were present and unanimously accepted and approved the December 15, 2016 meeting minutes: Ms. Dana Cortez, Ms. Leyta Fuentes, Mr. John Fellows, Mr. Eric Tsao and Ms. Mary Giordano.

ADMINISTRATIVE MEETING

I. **2016 Plan Review (Empower)**
Ms. Watkins presented the 2016 Plan Review (the "Review") to the Committee. The Review included information about the Plan including the participation rate, average account balance, asset allocation model utilization, Roth contributions, and distributions from the Plan during 2016. Ms. Watkins noted that during the year, approximately $6 million was retained in the Plan as a result of Empower's Retirement Solutions Group.

II. **2017 Strategic Partnership Plan – (Empower)**
Ms. Watkins discussed the 2017 strategic partnership plan prepared by Empower. Ms. Watkins explained that in 2017, Empower is focusing on participant retirement readiness. Empower will be introducing an enhanced website that will promote retirement readiness to each participant in the Plan and provide them each a custom readiness score. Ms. Watkins also noted that targeted education campaigns are available. Ms. Watkins noted that as part of the transition to the enhanced website and custom targeted campaigns, in the near future, participants will be required to opt into receiving hard copy statements. The Committee deliberated the upcoming change and requested that Empower provide a robust education campaign ahead of time to those participants that will be affected by the negative election process to receive e-statements.

III. **Plan B De Minimus Accounts – (Empower)**
Ms. Watkins provided a review of de minimus account balances in Plan B as of December 31, 2016. She noted that there were no de minimus balances identified to be forced out of the Plan.

IV. **2016 Annual Report – (BFSG)**
Mr. Pickering presented the 2016 Annual Report (the "Report") to the Committee. The purpose of the Report is to present City Council with the Committee and Plan activities during the calendar year. The Report also includes asset data and fee benchmarking for all service providers. Pending any edits from

the Committee, the Committee motioned to accept the Report as written. The motion was unanimously approved by all Committee members present at the meeting: Ms. Dana Cortez, Ms. Leyta Fuentes, Ms. Mary Giordano, Mr. Eric Tsao and Mr. John Fellows.

MOTION APPROVED, pending any final edits, the Committee approved the 2016 Annual Report to be presented to City Council.

V. **Plan Expense Reimbursement Account – Annual Balance Review**
The Committee reviewed the balance of the Plan Expense Reimbursement Account ("PERA") in accordance with the PERA Policy. After review, the Committee motioned to redistribute excess revenue in the Account in accordance with the PERA Policy above a $100,000 reserve requirement to pay for qualified Plan expenses. The motion was unanimously approved by all Committee members present at the meeting: Ms. Dana Cortez, Ms. Leyta Fuentes, Ms. Mary Giordano, Mr. Eric Tsao and Mr. John Fellows.

MOTION APPROVED, redistribute the excess revenue in the PERA account to Plan participants in accordance with the PERA Policy above a reserve requirement of $100,000 to pay for qualified Plan expenses.

INVESTMENT MEETING

I. **Retirement Plan Quarterly Investment Review (4Q16) – (BFSG)**
Mr. Pickering provided an overview of the capital markets and economy as of December 31, 2016. The overview included a discussion on: GDP, unemployment, inflation, and benchmark index returns. Mr. Pickering 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 fund:

T. **Rowe Price Equity Income** is currently on Watch due to relative underperformance and a recent manager change. The fund's performance continues to rebound and the fund outperformed its active and passive benchmark on a trailing one-year basis. Stock selection contributed to the outperformance during the period. The Committee agreed to keep the fund on Watch to monitor for continued performance improvement.

Artisan International underperformed its benchmarks during the quarter and on a one-, and 3-year basis. Very defensive positioning during the quarter, including a large overweight to consumer staples contributed to the underperformance over the short-term. Due to the significant short-term underperformance, the Committee motioned to place 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. Eric Tsao and Mr. John Fellows.

MOTION APPROVED, place Artisan International 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 17 and the Plan-weighted rank was 16.

The performance of the Plan, as allocated on December 31, 2016, was benchmarked relative to an equivalently-weighted active and passive benchmark. The Plan outperformed it's active benchmark across all measured time periods. The Plan expense ratio was reviewed and was noted to be 0.46% versus the benchmark expense ratio of 0.85%.

Mr. Pickering reviewed the 3121 Part-Time Plan including assets and the performance of the investment options. Mr. Pickering discussed the following funds 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's performance continues to rebound and the fund outperformed its active and passive benchmark on a trailing one-year basis. Stock selection contributed to the outperformance during the period. The Committee agreed to keep the fund on Watch to monitor for continued performance improvement.

Oppenheimer Global is on Watch due to short-term underperformance. A growth-oriented investment style, including an overweight to the healthcare sector contributed to the fund's underperformance during the quarter and on a one-year basis. The Committee agreed to keep the fund on Watch.

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. Eric Tsao and Mr. John Fellows.

MOTION APPROVED, Deferred Compensation Plan Committee meeting adjourned at 3:30pm.

CITY OF TORRANCE
DEFERRED COMPENSATION PLAN COMMITTEE
JUNE 29, 2017 MEETING MINUTES

Committee 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

Committee Members Absent: None

Guests: Ms. Joan Watkins – Empower Retirement
Mr. Greg Gower – Empower Retirement
Ms. Carol Say – Empower Retirement

Committee Consultants: Mr. John Campbell, Benefit Financial Services Group ("BFSG")
Mr. Braden Priest, BFSG

CALL TO ORDER
The first 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, Mr. Eric Tsao and Ms. Mary Giordano.

ACCEPTANCE AND FILING OF THE MARCH 1, 2017 MEETING MINUTES
Motion to approve the prior meeting minutes:

> **MOTION (1) APPROVED, to accept the minutes from the March 1, 2017 meeting as written. This motion was approved unanimously.**

ADMINISTRATIVE MEETING

I. **New Participant Website (Empower)**
Ms. Watkins presented the new participant website to the Committee. The website now requires an enhanced security code for participants to login. Participants now have the ability to estimate their retirement income needs on a monthly basis, and new tools allow for greater customization of retirement assets and income. The process of changing investment elections and deferral changes has been streamlined to make the process faster and easier to navigate.

II. **March Seminars – (Empower)**
Ms. Watkins noted the feedback from the Preparing for Retirement seminars in March has been positive. There were a total of 22 people who attended the two seminars, and as a result, 80% of the attendees surveyed stated they were likely to increase their contribution to the Plan.

III. **Email Capture Campaign– (Empower)**
Ms. Watkins stated the email capture campaign will begin in July 2017, and there are currently approximately 500 participants who do not have a registered email with Empower. A city-wide email will be sent to employees encouraging electronic delivery (e-delivery) using a pre-approved template. Once the new website is live, e-Delivery will be the default delivery preference for participants.

IV. **Quarterly Plan Summary – (Empower)**
Due to time constraints, this Empower item was tabled.

INVESTMENT MEETING

I. Request for Proposal ("RFP") – (BFSG)

The Committee was provided with a copy of the vendor RFP Questionnaire and City Council agenda item. Mr. Campbell reviewed each section of the RFP Questionnaire. There are in excess of 100 questions covering recordkeeping systems and reporting capabilities, communication and education, investments, and costs. During the review, the Committee commented on a couple edits they would like to see in the final document. Mr. Campbell finished the review by outlining the RFP process and timeline for the Committee.

> **MOTION (2) APPROVED, to accept the vendor RFP Questionnaire with the modifications discussed during the meeting. The Committee will take the draft document to Council for final approval. This motion was approved unanimously.**

Once the Council approves issuance of the RFP Questionnaire, the City will issue the document. It is anticipated that this will occur by September 22, 2017. All vendor responses will be directed to the City for an official timestamp. The responses will then be provided to BFSG for analysis, and any vendor questions will be directed to BFSG.

In determining which vendors will receive the RFP, BFSG will narrow the field of potential vendors based on minimum requirements noted in the Council agenda item. The Committee will also have the RFP posted to the City's website, as well as sent to any vendors that request the document from the Procurement Office. Provided the Council approves issuance of the RFP Questionnaire, the Committee made the following Motion.

> **MOTION (3) APPROVED, to post the RFP Questionnaire to the City's website and accept responses from any vendor that chooses to respond, as well as issuing to the following potential vendors: those determined by BFSG to be the best fit, and those that request the document through the Procurement Office. This motion was approved unanimously.**

BFSG will then meet with the Committee for a deeper dive into the vendor responses to select finalists for in-person interviews and additional vetting. The Committee endeavors to select a final vendor by mid-February 2018 to recommend to Council. The Council will be asked to approve the Committee's recommendation by the end of February 2018.

II. Retirement Plan Quarterly Investment Review (1Q17) – (BFSG)

Mr. Campbell provided an overview of the capital markets and economy as of March 31, 2017. 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 fund:

> **T. Rowe Price Equity Income** is currently on Watch due to relative underperformance and a recent manager change. The fund outperformed both its category peers and passive benchmark over the trailing one-year period. While the fund has now outperformed its peers over a 10-year period, it still trails on a 3- and 5-year basis. The Committee agreed to keep the fund on Watch to monitor for continued performance improvement.
>
> **Artisan International** outperformed its benchmarks during the quarter, but significantly underperformed its peer group on a trailing one-year basis. An overweight to consumer staples, in addition to poor stock selection is the U.S. and Japan were the main drivers of underperformance. The Committee agreed to keep the fund on Watch to monitor for continued performance improvement.

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 16.

The performance of the Plan, as allocated on March 31, 2017, was benchmarked relative to an equivalently-weighted active and passive benchmark. The Plan outperformed its active benchmark across all measured time periods. The Plan expense ratio was reviewed and was noted to be 0.46% versus the benchmark expense ratio of 0.86%.

Mr. Campbell reviewed the 3121 Part-Time Plan including assets and the performance of the investment options. Mr. Campbell discussed the following funds in more detail:

Putnam High Yield Advantage relatively underperformed its peer group across each measured period in the report, with the exception of the trailing one-year period. Mr. Campbell noted that the current share class of the fund is expensive relative to its peer group, and if a cheaper share class were used, performance would be more in line with its peers. BFSG will work with Empower to see if a cheaper share class can be used.

CLOSING

Motion to adjourn the Deferred Compensation Committee meeting:

MOTION TO ADJOURN APPROVED, Deferred Compensation Plan Committee meeting adjourned at 3:50pm. This motion was approved unanimously.

CITY OF TORRANCE
DEFERRED COMPENSATION PLAN COMMITTEE
SEPTEMBER 28, 2017 MEETING MINUTES

Committee Members Present:	Ms. Dana Cortez – City Treasurer Ms. Leyta Fuentes – Human Resources Administrator Ms. Mary Giordano – Assistant City Manager Mr. Eric Tsao – Finance Director Mr. Patrick Sullivan – Interim City Attorney
Committee Members Absent:	None
Guests:	Ms. Joan Watkins – Empower Retirement
Committee Consultants:	Mr. John Campbell, Benefit Financial Services Group ("BFSG") Mr. Braden Priest, BFSG

CALL TO ORDER
The second 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. Patrick Sullivan, Mr. Eric Tsao and Ms. Mary Giordano.

ACCEPTANCE AND FILING OF THE JUNE 29, 2017 MEETING MINUTES
Motion to approve the prior meeting minutes:

> **MOTION (1) APPROVED, to accept the minutes from the June 29, 2017 meeting as written. This motion was approved unanimously.**

ADMINISTRATIVE MEETING

I. **Quarterly Plan Summary – (Empower)**
Ms. Watkins distributed the June 30, 2017 Quarterly Plan Review to the Committee. She noted there was an increase in distributions through the first two quarters of the year as compared with the prior two years. The average participant account balance grew by 10% over the prior 18 months ending June 30, 2017, from $101K to $111K. On October 20, 2017, Greg Gower from Empower will offer a workshop for employees nearing retirement age, called Retirement Planning: An Action Plan for Baby Boomers Workshop.

INVESTMENT MEETING

I. **Request for Proposal ("RFP") Updates – (BFSG)**
Mr. Priest confirmed the RFP was posted with the City Clerk's Office on September 22nd. Vendor questions are due to Mr. Priest by October 17th, and he will respond to all questions by October 24th.

II. **Retirement Plan Quarterly Investment Review (2Q17) – (BFSG)**
Mr. Campbell provided an overview of the capital markets and economy as of June 30, 2017. 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 outperformed both its category peers and passive benchmark in the second quarter and over a trailing one-year period. While recent performance has been trending in the right direction, 3- and 5-year performance still trails its peer group. The Committee agreed to keep the fund on Watch to monitor for continued performance improvement.

Artisan International outperformed its category peers by 4% during the quarter as a result of an overweight to European banks, though this had been a significant headwind over the trailing 3-year period. Performance over a 10-year period remained at the top quartile of its peer group. The Committee agreed to keep the fund on Watch to monitor for continued performance improvement.

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 18 and the Plan-weighted rank was 17.

The performance of the Plan, as allocated on June 30, 2017, was benchmarked relative to an equivalently-weighted active and passive benchmark. The Plan outperformed its active benchmark across all measured time periods. The Plan expense ratio was reviewed and was noted to be 0.47% versus the benchmark expense ratio of 0.86%.

Mr. Campbell reviewed the 3121 Part-Time Plan including assets and the performance of the investment options. Mr. Campbell discussed the following funds in more detail:

Oppenheimer Global has been on the Watch List since September 2016 due to performance-related issues. The fund outperformed its category peers by 3% in the second quarter and 12% over the prior year. The fund now ranks in the top quartile of its peers over 3- and 5-year periods. Due to the significant performance improvement, the Committee agreed to remove the fund from the Watch List.

Putnam High Yield received an Evaluation Methodology score of 81 in the second quarter, considered an "underperform". Performance has been hindered by the fund's high expense ratio, which ranked in the bottom 94th percentile. BFSG worked with Empower to allow the current "R" share class to be replaced by the lower cost "Y" share class. This change resulted in the Evaluation Methodology score improving to a 37, considered a "perform". The Committee agreed to move to the lower cost "Y" share class, and Empower will effectuate the change as soon as administratively feasible.

CLOSING

Motion to adjourn the Deferred Compensation Committee meeting:

MOTION TO ADJOURN APPROVED, Deferred Compensation Plan Committee meeting adjourned at 3:15pm. This motion was approved unanimously.

CITY OF TORRANCE
DEFERRED COMPENSATION PLAN COMMITTEE
DECEMBER 11, 2017 MEETING MINUTES

Committee Members Present:	Ms. Dana Cortez – City Treasurer Ms. Leyta Fuentes – Human Resources Administrator Ms. Mary Giordano – Assistant City Manager Mr. Eric Tsao – Finance Director Mr. Patrick Sullivan – Interim City Attorney
Committee Members Absent:	None
Guests:	Ms. Joan Watkins – Empower Retirement
Committee Consultants:	Mr. John Campbell, Benefit Financial Services Group ("BFSG") Mr. Braden Priest, BFSG

CALL TO ORDER
The third 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. Patrick Sullivan, Mr. Eric Tsao and Ms. Mary Giordano.

PUBLIC COMMENT: Members of the City's Fire Department were in attendance to discuss the availability of options in the self-directed brokerage account. The Committee had a conversation about their fiduciary responsibility in regards to allowing such investments in the brokerage window. Mr. Campbell noted that the availability of these options are very rare in city and corporate retirement plans, as the investment option would need to be suitable for the majority of plan participants. Ms. Watkins agreed with Mr. Campbell, stating she knew of very few plans that allowed this practice, but would follow up with the Committee with further information if available.

ACCEPTANCE AND FILING OF THE SEPTEMBER 28, 2017 MEETING MINUTES
Motion to approve the prior meeting minutes:

> **MOTION (1) APPROVED, to accept the minutes from the September 28, 2017 meeting as written. This motion was approved unanimously.**

ADMINISTRATIVE MEETING

I. **Quarterly Plan Summary – (Empower)**
Ms. Watkins distributed the September 30, 2017 Quarterly Plan Review to the Committee. Assets continued to grow, hitting all-time highs as both participant contributions and market performance were strong. The Plan's participation rate of approximately 80% is much higher than the peer average of 58%.

II. **New Website Update – (Empower)**
Ms. Watkins noted the new participant website will be live on February 2, 2018. Once the site is live, quarterly statements will be delivered online, though participants will have the option to choose physical delivery if it's preferable to them. The new website will now incorporate multi-factor authentication and new security protocols to protect against fraud.

INVESTMENT MEETING

I. **Request for Proposal ("RFP") Updates – (BFSG)**

Mr. Campbell provided the Committee with an Initial Vendor Analysis (the "Analysis"). Each of the 8 vendors that responded to the City's RFP were incorporated in the Analysis. Areas reviewed included provider background, client servicing, participant experience, asset allocation tools, investment management services, and fees. Upon review and discussion, the Committee agreed to eliminate the following four vendors from contention: Voya, MassMutual, TIAA, and Lincoln. BFSG will now perform a deeper dive on the remaining four vendors, which include Empower, IMCA-RC, Prudential, and Nationwide. The Committee will meet before the next regularly scheduled meeting to review the full Vendor Search and Selection Analysis created by BFSG.

II. Retirement Plan Quarterly Investment Review (3Q17) – (BFSG)

Mr. Campbell provided an overview of the capital markets and economy as of September 30, 2017. 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 outperformed the Russell 1000 Value Index and its category peers over the quarter and prior year. Stock selection in financials has contributed significantly to performance since the fourth quarter of 2016. The 3-year relative performance is now above average, and the Evaluation Methodology score improved over the prior four quarters from a 45 to a 38. The Committee unanimously agreed to keep the fund on the Watch List.

Artisan International underperformed its active and passive benchmarks over 3-, 5-, and 10-year periods as of the end of the reporting period. An overweight to European banks added to performance in the short-term, but was a large detractor from performance over medium- and long-term. The Committee agreed to keep the fund on Watch to monitor for continued performance improvement.

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 18 and the Plan-weighted rank was 19.

The performance of the Plan, as allocated on September 30, 2017, was benchmarked relative to an equivalently-weighted active and passive benchmark. The Plan outperformed its active benchmark across all measured time periods. The Plan expense ratio was reviewed and was noted to be 0.47% versus the benchmark expense ratio of 0.86%.

CLOSING

Motion to adjourn the Deferred Compensation Committee meeting:

MOTION TO ADJOURN APPROVED, Deferred Compensation Plan Committee meeting adjourned at 3:40pm. This motion was approved unanimously.