Council Meeting of
March 28, 2017

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

Members of Council:

SUBJECT: Accept and file the Deferred Compensation Plan Annual Report 2016

RECOMMENDATION

Recommendation of the City Treasurer and the Deferred Compensation Committee that City Council accept and file the attached 2016 annual report of the City of Torrance Deferred Compensation Plan.

FUNDING

Not applicable

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 (Attachment A).

The Deferred Compensation Plan Committee first presented an annual report mid-2015. The 2016 report was presented to the committee and approved at the March 1, 2017 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

CC: City Manager
City Clerk

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CITY OF TORRANCE DEFERRED COMPENSATION PLAN
ANNUAL REPORT – 2016 PLAN YEAR

BFS 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

Meeting Date	Item	Update
June 16, 2016	Watch List	Fidelity Advisor Leveraged Company Stock was placed on Watch due to relative underperformance of the fund and the volatile nature of the fund.
September 13, 2016	Watch List	Oppenheimer Global was placed on Watch due to relative underperformance over the short-term.,
	Fund Change	A fund search for the mid cap value category. Fidelity Advisor Leveraged Company Stock was on Watch due to underperformance and volatile characteristics. After review of available alternatives, the Committee agreed to remove the fund from the Plan and map current and future assets into BlackRock Mid-Cap Equity Index, which was already in the Plan.

Plan Updates

Meeting Date	Item	Update
February 24, 2016	Managed Account Fee Reduction	Empower provided an update to the Committee regarding the reeducation in the fee schedule for the managed account program.
December 15, 2016	Participant Education	Empower requested permission from the Committee to actively promote an education workshop, "Preparing for Retirement", for participants in the Plan who have an email address on file.

Settlor Updates

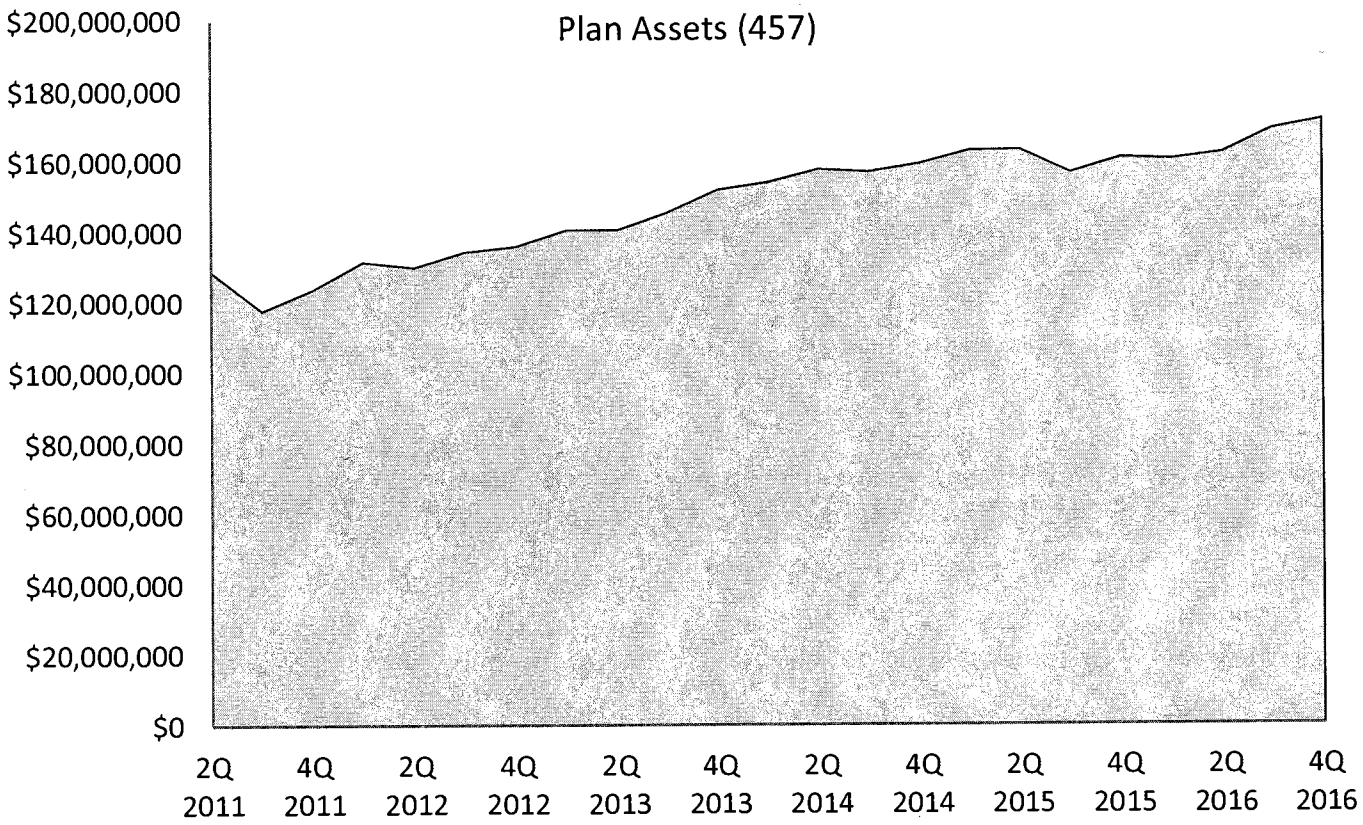
Meeting Date	Item	Update
March 14, 2016	Committee Bylaws	BFSG proposed an update to the Committee Bylaws that added clarifying language that "the Plan is structured in such a way that Plan recordkeeping and administration fees are borne by the participants through indirect and direct compensation" (rather than borne by the City). The proposed language is consistent with the practice of the City, and is permissible by law. The purpose of adding the language to the Bylaws is to formally document the practice. Pending final edits, the updated Bylaws were accepted by the Committee to be approved by City Council.
December 15, 2016	Vendor Search and Selection	Due to insufficient time to get approval from Council, conduct a full request for proposal ("RFP") and to reserve time for a possible conversion between recordkeepers, the Committee agreed to allow for the existing contract with Empower to automatically renew for another year. The Committee will endeavor to conduct an RFP for record keeping services in 2016.

SECTION 3: PLAN ASSETS / DEMOGRAPHICS
(AS OF 12/31/2016)

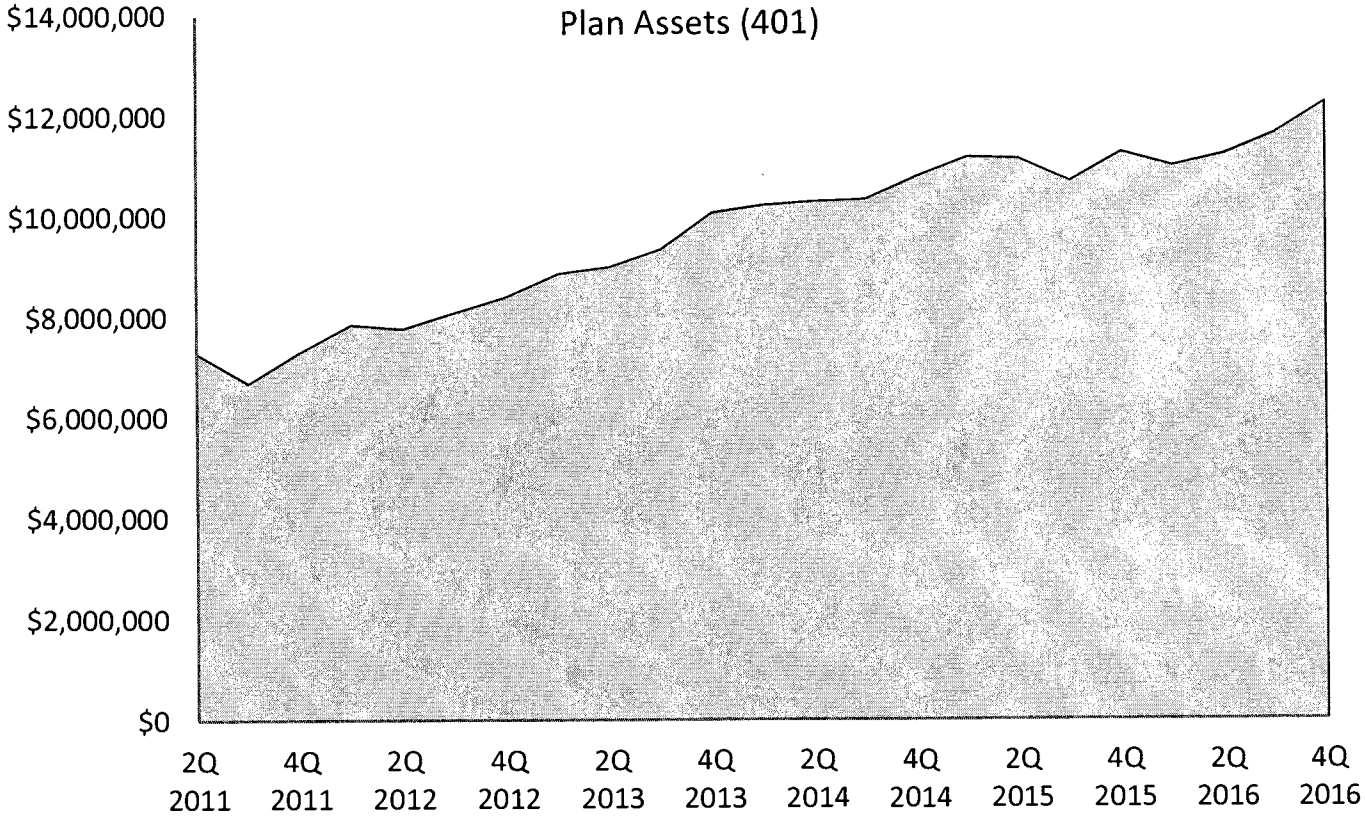
Plan Assets 457 & 401

Investment Option	% of Assets	457	401	Total Assets
Torrance Stable Value Fund	43.29%	$72,331,681	$4,479,981	$76,811,661
Torrance Aggressive Lifestyle	7.70%	$12,221,083	$1,448,561	$13,669,644
American Funds Growth Fund R5	6.56%	$11,353,586	$292,001	$11,645,587
Torrance Moderate Lifestyle	6.30%	$10,077,372	$1,093,263	$11,170,635
Dodge & Cox Stock Fund	5.07%	$8,282,397	$715,088	$8,997,485
BlackRock Mid Cap Index - Collective F	4.26%	$6,818,419	$733,651	$7,552,071
T. Rowe Price Mid-Cap Growth Fund	3.90%	$6,342,184	$575,384	$6,917,568
BlackRock Russell 2000 Index Coll F	3.24%	$5,442,950	$307,795	$5,750,744
American Funds Fundamental Inv R5	3.04%	$4,896,037	$500,455	$5,396,492
BlackRock Equity Index - Collective F	2.59%	$4,348,503	$249,456	$4,597,959
Metropolitan West Total Return Bond I	2.27%	$3,886,742	$132,697	$4,019,439
Artisan International	2.17%	$3,691,209	$156,787	$3,847,995
JPMorgan Mid Cap Value Fund L	1.71%	$2,867,359	$170,612	$3,037,970
Dodge & Cox Income Fund	1.36%	$2,247,708	$167,272	$2,414,981
Prudential Jennison Small Company Z	1.33%	$1,883,980	$469,309	$2,353,289
Vanguard International Growth Adm	1.21%	$1,997,651	$156,601	$2,154,252
Torrance Conservative Lifestyle	0.97%	$1,650,124	$68,210	$1,718,333
BlackRock EAFE Equity Index Coll F	0.71%	$1,156,171	$104,239	$1,260,410
Columbia Small Cap Value Fund II Z	0.66%	$1,111,003	$54,065	$1,165,068
T. Rowe Price Blue Chip Growth Fund	0.48%	$822,179	$20,697	$842,876
T. Rowe Price Equity Income Fund	0.46%	$766,034	$42,924	$808,958
Oppenheimer Developing Markets Y	0.27%	$435,568	$42,086	$477,654
DFA Emerging Markets I	0.25%	$409,252	$35,590	$444,843
Templeton Global Bond Adv	0.20%	$320,257	$39,397	$359,655
Total	**100.00%**	**165,359,450**	**$12,056,120**	**$177,415,570**
Self-Directed Brokerage Account		$6,404,245	$186,334	$6,590,580
Total		**$171,763,695**	**$12,242,454**	**$184,006,150**

Plan Assets 457



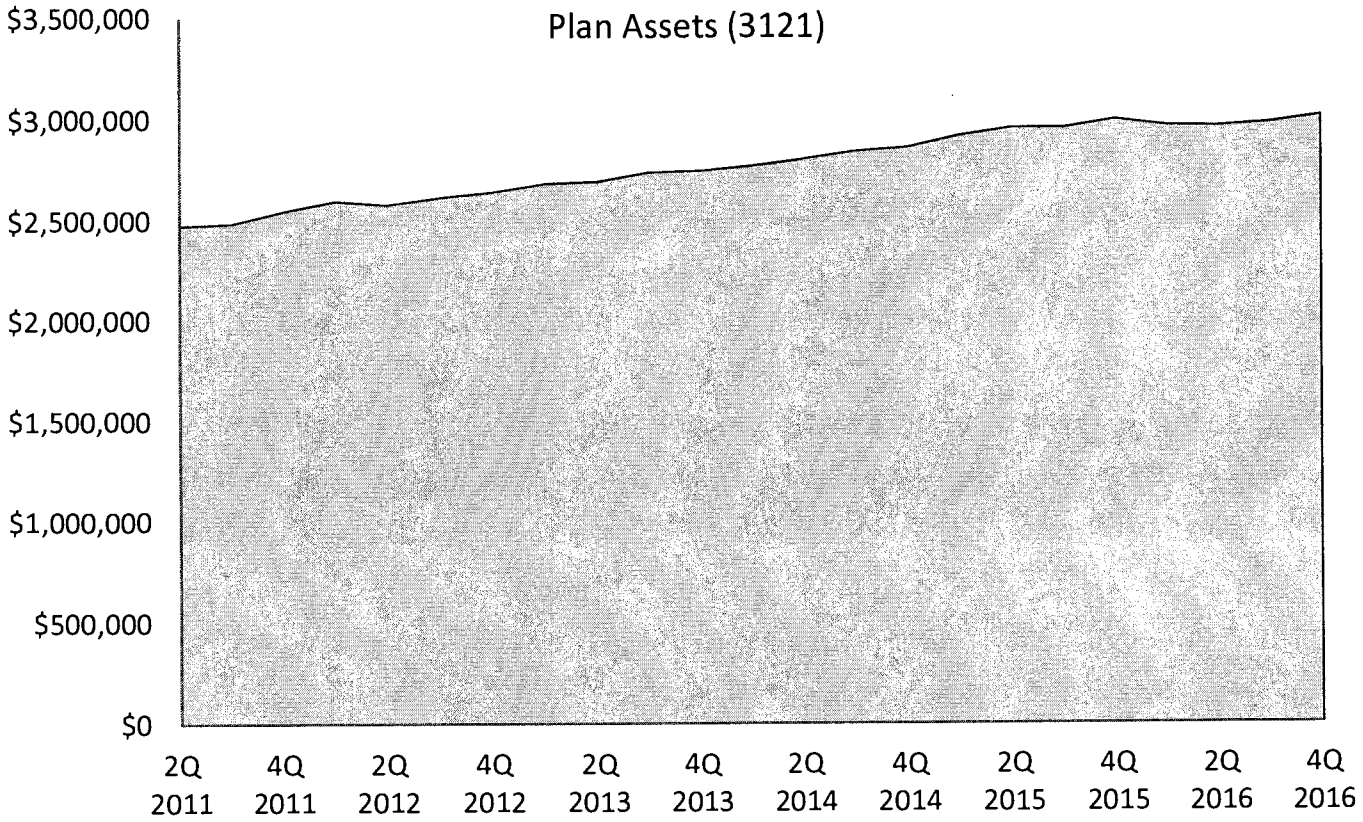
Plan Assets 401



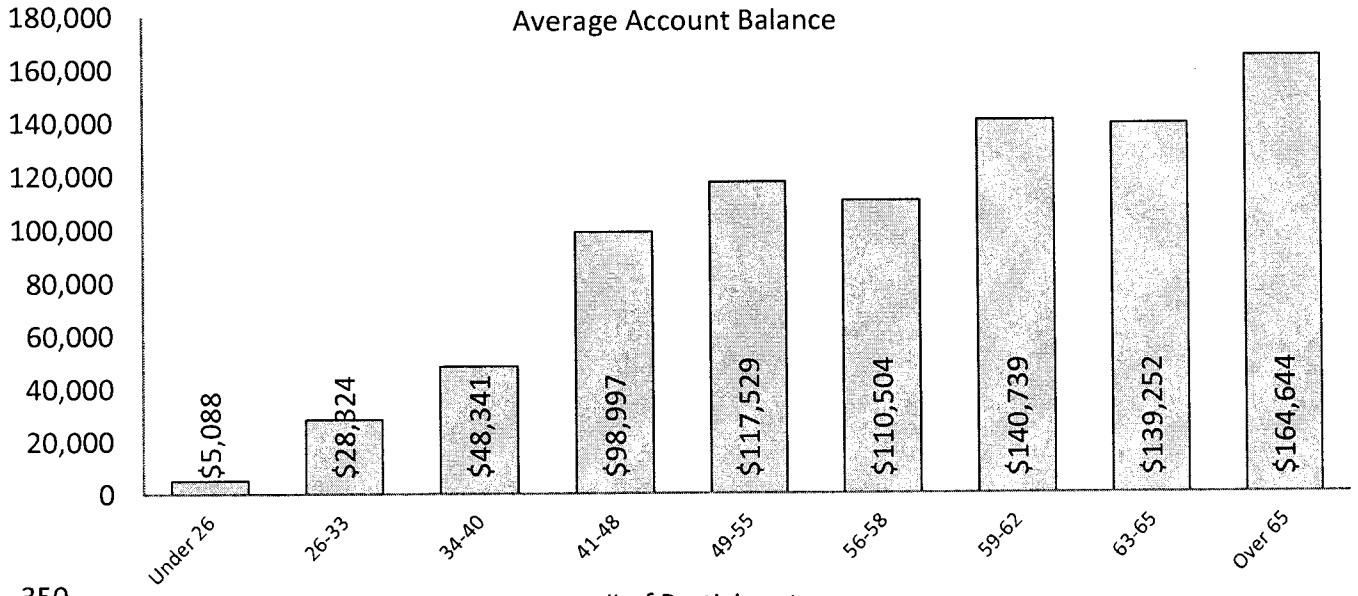
Plan Assets (Part-Time 3121)

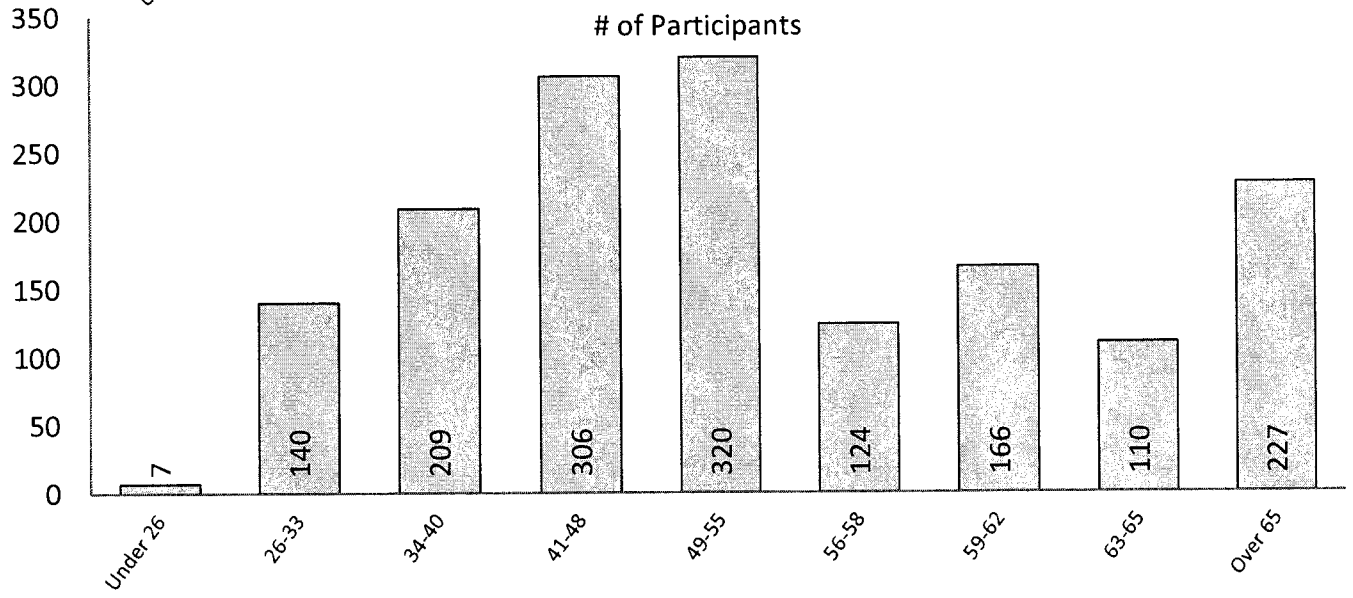
Investment Option	% of Assets	Total Assets
Torrance Stable Value Fund	93.74%	$2,829,026
Great-West T. Rowe Price Eq Inc I	1.24%	$37,374
American Funds Growth Fund of Amer R4	0.76%	$23,053
BlackRock Russell 2000 Index Coll F	0.70%	$21,175
Great-West Lifetime 2035 T	0.68%	$20,419
Great-West T Rowe Price MidCap Gr I	0.53%	$15,973
Great-West Loomis Sayles SmCapVal I	0.39%	$11,891
Prudential Jennison Small Company A	0.26%	$7,864
Metropolitan West Total Return Bond I	0.22%	$6,724
Great-West Lifetime 2015 T	0.22%	$6,646
Janus Balanced Fund T	0.20%	$6,161
Great-West Lifetime 2045 T	0.18%	$5,454
American Funds Fundamental Investors R4	0.16%	$4,972
Artisan International Inv	0.16%	$4,891
JPMorgan Mid Cap Value A	0.13%	$3,938
Great-West Lifetime 2055 T	0.13%	$3,780
Oppenheimer Global A	0.12%	$3,553
Ariel Appreciation Inv	0.07%	$2,048
Great-West S&P 500 Index I	0.05%	$1,395
Great-West Stock Index I	0.04%	$1,350
Great-West MFS Intl Growth I	0.01%	$411
Total	**100.00%**	**$3,018,098**

Plan Assets (Part-Time 3121)



Age Group Statistics 457			
Age Group	**# of Participants**	**Balance**	**Average Account Balance**
Under 26	7	$35,618	$5,088
26-33	140	$3,965,400	$28,324
34-40	209	$10,103,224	$48,341
41-48	306	$30,293,078	$98,997
49-55	320	$37,609,243	$117,529
56-58	124	$13,702,504	$110,504
59-62	166	$23,362,698	$140,739
63-65	110	$15,317,772	$139,252
Over 65	227	$37,374,159	$164,644
TOTAL	**1,609**	**$171,763,695**	**$106,752**





SECTION 4: PLAN PERFORMANCE (AS OF 12/31/2016)

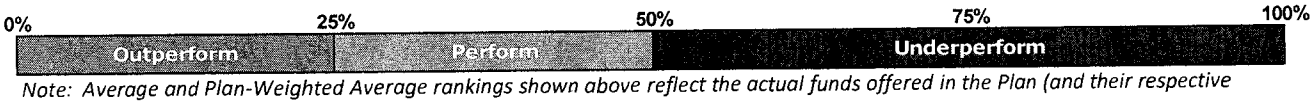
Weighted Portfolio Return Relative to Custom Benchmark (457 & 401)

Performance as of December 31, 2016	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	**1.87%**	**6.39%**	**4.18%**	**7.54%**	**5.34%**	**5.15**	**0.79**	**0.46**
Custom Benchmark - Index (Passive)	1.69%	6.88%	4.37%	7.39%	4.70%	N/A	N/A	N/A
Custom Benchmark - Category (Active)	1.49%	5.28%	3.05%	6.15%	4.16%	5.02	0.60	0.85

** 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 4Q16	3Q16	2Q16	1Q16
Intermediate-Term Bond				
Dodge & Cox Income	20	25	35	31
Metropolitan West Total Return Bd I	1	1	0	0
World Bond				
Templeton Global Bond Adv	15	35	33	22
Large Value				
Dodge & Cox Stock	24	34	48	36
T. Rowe Price Equity Income	45	51	48	52
Large Blend				
American Funds Fundamental Invs R5	4	6	9	10
Large Growth				
American Funds Growth Fund of Amer R5	18	24	31	35
T. Rowe Price Blue Chip Growth	4	3	3	1
Mid Blend				
JPMorgan Mid Cap Value Instl	1	0	1	0
Mid Growth				
T. Rowe Price Mid-Cap Growth	0	1	1	0
Small Value				
Columbia Small Cap Value Fund II Z	24	18	19	18
Small Growth				
Prudential Jennison Small Company Z	33	36	27	24
Foreign Large Equity				
Artisan International Investor	58	34	28	25
Vanguard International Growth Adm	4	0	0	1
Emerging Markets				
DFA Emerging Markets I	7	8	5	5
Oppenheimer Developing Markets Y	12	12	9	4
Average Rank	17	20	21	19
Plan Weighted Rank (Reweighted)	16	19	24	22



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 4Q16	3Q16	2Q16	1Q16
Intermediate-Term Bond				
Metropolitan West Total Return Bd I	1	1	0	0
Multisector Bond				
Great-West Loomis Sayles Bond Init	25	27	30	27
High Yield Bond				
Putnam High Yield Advantage R	71	73	68	72
Allocation--50-70% Equity				
Janus Balanced T	37	37	34	26
Large Value				
Great-West T. Rowe Price Eq Inc Init	60	63	61	62
Large Blend				
American Funds Fundamental Invs R4	12	15	20	20
Large Growth				
American Funds Growth Fund of Amer R4	29	36	44	48
Mid Blend				
JPMorgan Mid Cap Value A	17	17	10	10
Ariel Appreciation Investor	43	39	40	38
Mid Growth				
Great-West T. Rowe Price Mid Cp Gr Init	3	3	2	2
Small Blend				
Great-West Loomis Sayles Sm Cp Val Init	21	25	27	30
Small Growth				
Prudential Jennison Small Company A	50	55	46	42
World Stock				
Oppenheimer Global A	47	49	55	49
Foreign Large Equity				
Artisan International Investor	58	54	28	25
Great-West MFS International Gr Init	27	38	35	35
Average Rank	33	34	33	32
Plan Weighted Rank (Reweighted)	35	36	36	36

0% — 25% — 50% — 75% — 100%

Outperform | Perform | Underperform

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
February 24, 2016 SPECIAL MEETING MINUTES

Members Present: Ms. Dana Cortez – City Treasurer
Ms. Leyta Fuentes – Operations/HR Manager
Ms. Mary Giordano – Assistant City Manager
Mr. Eric Tsao – Finance Director

Guests: Ms. Joan Watkins, Bill Thornton, Daniel Gargan and Mr. Jack Brown – Empower

Committee Consultants: Mr. John Campbell - Benefit Financial Services Group ("BFSG")

CALL TO ORDER
The specially called meeting of the Deferred Compensation Committee (the "Committee") was called to order at 2:25pm.

ROLL CALL
The following members of the Committee were present during roll call of the meeting: Ms. Dana Cortez, Mr. Eric Tsao, Ms. Leyta Fuentes, and Ms. Mary Giordano. Ms. Mary Giordano was absent during the Administrative portion of the meeting.

INVESTMENT MEETING

I. **City of Torrance Stable Value Fund Review**
Empower provided the Committee an overview of the City's custom stable value fund. The overview included a discussion on the Great-West Fund Management, key policies of managing the fund, and the 4th quarter fund statement. In order to provide context to the performance of the stable value fund, Empower provided an overview of current capital market events, the U.S. economy, and market trends. The Committee reviewed the performance of the Stable Value fund including sector attribution.

ADMINISTRATIVE MEETING

I. **Managed Account Fee Reduction**
Empower updated the Committee on an available fee reduction to the managed account services offered to participants through the Plan. The current fee structure varies from 0.30% to 0.60% based on a participant's balance. The reduced fee structure varies from 0.15% to 0.45% based on a participant's balance. A motion to accept the reduction in the managed account services was unanimously approved by all Committee members present at the meeting: Ms. Cortez, Ms. Fuentes, and Mr. Tsao.

Empower will provide the Committee a Plan amendment to reduce the managed account service fees.

CLOSING

A motion to adjourn the Deferred Compensation Committee meeting was unanimously approved by all Committee members present at the meeting: Ms. Cortez, Ms. Fuentes, and Mr. Tsao. The meeting adjourned at 3:25 pm.

MOTION APPROVED, Deferred Compensation Plan Committee meeting adjourned.

CITY OF TORRANCE
DEFERRED COMPENSATION PLAN COMMITTEE
March 14, 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 – 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 2:05pm.

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, and Mr. Eric Tsao. Ms. Mary Giordano arrived to the meeting at approximately 2:20 pm.

ACCEPTANCE AND FILING OF THE DECEMBER 7, 2015 AND FEBRUARY 24, 2016 MEETING MINUTES
The following Committee members were present and unanimously accepted and approved the December 7, 2015 and February 24, 2016 meeting minutes as written: Ms. Dana Cortez, Ms. Leyta Fuentes, Mr. John Fellows, and Mr. Eric Tsao.

ADMINISTRATIVE MEETING

I. **2015 Annual Report – (BFSG)**
The Committee reviewed a draft of the 2015 Annual Report which summarizes the Plan, Committee, and investment activities for the 2015 calendar year. The Committee provides the Annual Report to City Council to assist with their oversight of the Committee. The Committee motioned to accept the 2015 Annual Report as written. The motion was unanimously approved by all Committee members present at the time: Ms. Dana Cortez, Ms. Leyta Fuentes, Mr. John Fellows, and Mr. Eric Tsao.

MOTION APPROVED, BFSG will provide the Committee a soft copy of the 2015 Annual Report for their records.

II. **Committee Bylaws / Expense Policy**
The Committee discussed an update to the Committee Bylaws proposed by BFSG. The proposed update added clarifying language that the Plan is structured in such a way that Plan recordkeeping and administration fees are borne by the participants through indirect and direct compensation (rather than borne by the City). The proposed language is consistent with the practice of the City, and is permissible by law. The purpose of adding the language to the Bylaws is to formally document the practice. Pending one request by the Committee, to include examples of indirect and direct compensation, and an update to Ms. Fuentes's position title, the Committee motioned to approve the updated Committee Bylaws. 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, BFSG will provide the Committee a soft copy of the updated Committee Bylaws to be formally approved by City Council.

III. **Quarterly Review – (Empower)**
Empower distributed a copy of the quarterly report to the Committee for their review.

IV. Outstanding Items – (Empower)

Ms. Watkins updated the Committee on the de minimus distribution from the 3121 Plan. It was noted that 318 participants were affected and notified of the cash out. The cash out distribution occurred on January 29th.

Ms. Watkins provided a history of the marketing expense budget utilized from the Plan Expense Reimbursement Account. It was noted that the last time the Account was utilized for a marketing expense was in 2012 when approximately $13,000 was utilized for a comprehensive enrollment campaign. The Committee expressed interest in conducting another campaign in the near future. Ms. Watkins will work with the Committee on possible education campaign topics.

V. Plan Expense Reimbursement Account – Annual Balance Review

The Committee reviewed the Plan Expense Reimbursement Account balance as of December 31, 2015 per the Plan Expense Reimbursement Account Policy. The Committee discussed the reserve requirement maintained to pay for qualified Plan expenses and noted that the balance was approximately two years of estimated expenses. The Committee will continue to monitor the balance in the Account on an on-going basis, but determined that a reallocation from the Account was not prudent.

INVESTMENT MEETING

I. Retirement Plan Quarterly Investment Review (4Q15) – (BFSG)

Mr. Campbell provided an overview of the capital markets and economy as of December 31, 2015. 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. 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.

Prudential Jennison Small Company underperformed its peer group and passive benchmark for the quarter, and on a one- and 3-year basis. The fund favors growth companies at a reasonable price and typically outperforms its peers during declining markets rather than rising markets. On a 10-year basis the fund's performance ranks in the top 39th percentile of its peers.

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 18. The performance of the Plan, as allocated on December 31, 2015, 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 weighted-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 that received a 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. 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.

II. Fund Search – (BFSG)
Due to an insufficient amount of time, the Fund Search for the large cap value category was tabled until a future meeting.

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.

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.

CITY OF TORRANCE
DEFERRED COMPENSATION PLAN COMMITTEE
September 13, 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. Carol Say – Empower Retirement

Committee Consultants: Mr. John Campbell and Mr. Evan Pickering - Benefit Financial Services Group ("BFSG")

CALL TO ORDER
The 2nd 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 JUNE 16, 2016 MEETING MINUTES
The following Committee members were present and unanimously accepted and approved the June 16, 2016 meeting minutes: Ms. Dana Cortez, Ms. Leyta Fuentes, Mr. John Fellows, Ms. Mary Giordano and Mr. Eric Tsao.

ADMINISTRATIVE MEETING

I. **Quarterly Plan Summary (Empower)**
Ms. Say provided a review of the quarterly report for the period ending June 30, 2016. Distributions and contributions from the Plan were reviewed, and Mr. Campbell noted that a majority of the contributions had gone to either fixed income or domestic equities, rather than underperforming foreign equities. Ms. Say noted that a number of participants that she had spoken to had been nervous to invest internationally.

II. **National Retirement Security Week – (Empower)**
Ms. Say discussed the National Retirement Security Week campaign that will be conducted by Empower. The focus of the campaign will be to increase participant deferral rates, increase employee participation, and to keep assets in the Plan. A flyer for the campaign was reviewed by the Committee.

INVESTMENT MEETING

I. **Retirement Plan Quarterly Investment Review (2Q16) – (BFSG)**
Mr. Campbell provided an overview of the capital markets and economy as of June 30, 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:

Templeton Global Bond The fund underperformed its active and passive benchmarks during the quarter and on a one-, 3-, and 5-year basis. A short Euro and Yen exposure to the portfolio contributed to the short-term relative underperformance. A short duration of the portfolio also contributed to the relative underperformance of the fund. On a 10-year basis, the fund's performance ranks in the top one-percentile of its peers.

T. Rowe Price Equity Income is currently on Watch due to relative underperformance and a recent manager change. The fund outperformed its peers for the quarter and on a one-year basis largely due to an overweight to the energy and utilities sectors. A motion was unanimously approved by all Committee members present at the meeting to keep the fund on Watch to monitor for continued performance improvement: Ms. Dana Cortez, Ms. Leyta Fuentes, Ms. Mary Giordano, Mr. John Fellows, and Mr. Eric Tsao.

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

Fidelity Advisor Leveraged Company Stock is currently on Watch and favors companies that are highly leveraged. The fund underperformed its active and passive benchmarks across all measured time periods. Due to the continued underperformance, the Committee motioned to keep the fund on Watch and to review a fund search for available alternatives later in the meeting. 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, Keep Fidelity Advisor Leveraged Company Stock on Watch and review a search for available alternatives.

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 21 and the Plan-weighted rank was 24. The asset allocation of the Plan was reviewed, and it was noted that approximately 54% of the Plan is in cash and equivalents, including the stable value option.

The performance of the Plan, as allocated on June 30, 2016, was benchmarked relative to an equivalently-weighted active and passive benchmark. The Plan expense ratio was reviewed and was noted to be 0.47% versus the benchmark expense ratio of 0.88%.

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:

Great-West T. Rowe Price Equity Income is currently on Watch due to relative underperformance and a recent manager change. The fund outperformed its peers for the quarter and on a one-year basis largely due to an overweight to the energy and utilities sectors. A motion was unanimously approved by all Committee members present at the meeting to keep the fund on Watch to monitor for continued performance improvement: Ms. Dana Cortez, Ms. Leyta Fuentes, Ms. Mary Giordano, Mr. John Fellows, and Mr. Eric Tsao.

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

Oppenheimer Global underperformed its benchmarks for the quarter, and on a one-, 3-, and 5-year basis. The fund favors more growth oriented companies. The fund's sector selection, including an overweight to financials and healthcare, contributed to the relative underperformance of the fund over the measured periods. Due to 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. John Fellows, and Mr. Eric Tsao.

MOTION APPROVED, Place Oppenheimer Global on Watch.

II. Fund Search – (BFSG)

Mr. Campbell reviewed a fund search for Fidelity Advisor Leveraged Co Stock. After review, the Committee motioned to remove Fidelity Leveraged Co Stock from the Plan due to its volatile nature and underperformance, and to map the current assets and future contributions into BlackRock Mid-Cap Equity Index. BlackRock was selected for its similar market capitalization and low expense ratio. 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, Remove Fidelity Advisor Leveraged Co Stock from the Plan and map current assets and future contributions to BlackRock Mid-Cap Equity Index.

III. Vendor Search and Selection

Ms. Say from Empower was not present for this portion of the meeting. The Committee discussed the upcoming Request for Proposal ("RFP") process for deferred compensation plan record keeping services. The City's contract with the existing vendor, Empower, is set to expire on May 31, 2017. A proposed timeline for the RFP process and procedures was reviewed by the Committee.

The Committee discussed the necessary personnel from the City to be involved with the process, and noted that the Committee Bylaws outline the responsibility to select and / or recommend the Plan's administrative and compliance providers and advisors. The Committee requested that BFSG provide a list of proposed vendors that meet minimum qualifications to suit the needs of the City. The proposed vendors will be recommended to City Council for final approval prior to issuing the RFP.

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 3:15pm.

CITY OF TORRANCE
DEFERRED COMPENSATION PLAN COMMITTEE
December 15, 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
Members Absent:	Mr. Eric Tsao – Finance Director
Guests:	Ms. Joan Watkins and Ms. Carol Say – Empower Retirement
Committee Consultants:	Mr. John Campbell and Mr. Evan Pickering - Benefit Financial Services Group ("BFSG")

CALL TO ORDER
The 3rd 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, and Ms. Mary Giordano.

ACCEPTANCE AND FILING OF THE SEPTEMBER 13, 2016 MEETING MINUTES
The following Committee members were present and unanimously accepted and approved the September 13, 2016 meeting minutes: Ms. Dana Cortez, Ms. Leyta Fuentes, Mr. John Fellows, and Ms. Mary Giordano.

ADMINISTRATIVE MEETING

I. **Quarterly Plan Summary (Empower)**
Ms. Watkins provided the Committee a copy of Quarterly Plan Summary for their review.

II. **National Retirement Security Week – (Empower)**
Ms. Watkins provided a review (the "Review") of the 2016 Plan highlights including: a reduction in fees for the managed account program, the National Retirement Security Week Campaign, and the Preparing for Retirement Workshop Part 1. The Committee reviewed the details of each of the 2016 Plan highlights including the topics discussed at the Preparing for Retirement Workshop Part 1. The results of the Workshop were reviewed and it was noted that 20 people attended the seminars and 15 of the attendees completed a survey. Ms. Watkins discussed the upcoming seminar, Preparing for Retirement Workshop Part 2, and the available methods for promoting the workshop. She noted that Empower has 1089 emails on file that could be used to promote the workshop. The Committee motioned to allow Empower to promote the Part 2 Workshop to participants with an email on file. The motion was unanimously approved by all Committee members present at the meeting: Ms. Dana Cortez, Ms. Leyta Fuentes, Ms. Mary Giordano, and Mr. John Fellows.

MOTION APPROVED, Authorize Empower to utilize email addresses provided to them by participants to promote the Preparing for Retirement Workshop Part 2.

Ms. Watkins noted that the email addresses that Empower has on file could be used to conduct targeted campaigns to participants based on age, contribution rate, or account balance. The Committee will consider allowing targeted email campaigns at a future date.

INVESTMENT MEETING

I. **Retirement Plan Quarterly Investment Review (3Q16) – (BFSG)**
Mr. Campbell provided an overview of the capital markets and economy as of September 30, 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 fund:

> **T. Rowe Price Equity Income** is currently on Watch due to relative underperformance and a recent manager change. The fund's performance rebounded over the short-term and the fund has outperformed its active and passive benchmarks for the quarter and on a one-year basis. 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 20 and the Plan-weighted rank was 19.

The performance of the Plan, as allocated on September 30, 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 0.47% versus the benchmark expense ratio of 0.88%.

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:

> **Great-West T. Rowe Price Equity Income** is currently on Watch due to relative underperformance and a recent manager change. The fund's performance rebounded over the short-term and has outperformed its active and passive benchmarks for the quarter and on a one-year basis. 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 on a one-year basis. The fund outperformed its active and passive benchmarks for the quarter. The Committee agreed to keep the fund on Watch to monitor for continued performance improvement.

II. **Vendor Search and Selection**
Ms. Watkins and Ms. Say from Empower were not present for this portion of the meeting. The Committee discussed the upcoming Request for Proposal ("RFP") process for deferred compensation plan record keeping services. During the quarter, BFSG provided the Committee a memorandum to City Council detailing the process and requesting Council to authorize the Committee to issue the RFP. Due to the timeline required to complete the full RFP process, the BFSG and the Committee discussed allowing for the existing contract with Empower to renew for a one-year period. The Committee motioned to extend the contract for an additional year to allow for sufficient time to execute the RFP process. The motion was unanimously approved by all Committee members present at the meeting: Ms. Dana Cortez, Ms. Leyta Fuentes, Ms. Mary Giordano, and Mr. John Fellows.

> **MOTION APPROVED, extend the City's contract with Empower by one year to allow for additional time to conduct the full RFP process.**

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, and Mr. John Fellows.

> **MOTION APPROVED, Deferred Compensation Plan Committee meeting adjourned at 3:15pm.**

APPENDIX B – COMMITTEE BYLAWS

Exhibit A

BYLAWS
CITY OF TORRANCE
DEFERRED COMPENSATION PLAN COMMITEE

The City of Torrance Deferred Compensation Plan Committee (the "Committee") is appointed by the City of Torrance City Council to oversee the City of Torrance 457 and 401(a) Plans (collectively, the "Plans") in a fiduciary and settlor capacity. The Committee is authorized to manage and administer business relationships with the Plans' Custodians and Trustees, including satisfaction of legal requirements and operational responsibilities. The Committee is comprised of persons holding the following offices in the City:

1. City Treasurer
2. Human Resources Administrator
3. Finance Director
4. Assistant City Manager
5. City Attorney

The Committee will be responsible for exercising the general powers and duties of Plan Administrator, as set forth in the Plans' documents. The duties of the Committee include, without limitation, the following duties:

- In its settlor capacity, to:
  - To structure the Plan in such a way that Plan recordkeeping and administration fees are borne by the participants through indirect (e.g. 12b-1 or sub-TA fees) or direct compensation (e.g. participant charges), to the extent permitted by law;
  - oversee the administration and operation of the Plans other than investment-related issues;
  - select and / or recommend and monitor the Plans' administrative and compliance providers and advisors; and
  - perform such other duties as may be necessary or appropriate for the administration of the Plans.

- In its fiduciary capacity, to:
  - act as the Plans' Administrator and Named Fiduciary;
  - develop the investment structure and policies for the Plans;

- select and / or recommend and monitor the investments offered to the Plans' participants;
- determine the Plans' providers and advisors, as they relate to investment issues and services;
- make such other decisions as are necessary and appropriate to manage the Plans' selection of investments and investment-related services in a prudent manner; and
- develop participant eligibility and Plan rules.

The City Council delegates to the Committee the responsibility and authority to perform the functions listed in these Bylaws. The City Council retains the oversight responsibility to monitor the performance of the Committee to determine that the members of the Committee continue to be qualified to fulfill their responsibilities and that the Committee is operating in furtherance of these purposes.