Council Meeting of
April 5, 2016

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

Members of Council:

SUBJECT: Accept and file the Deferred Compensation Plan Annual Report 2015

RECOMMENDATION

Recommendation of the City Treasurer that the Deferred Compensation Committee and City Council accept and file the 2015 Annual Report of the City of Torrance Deferred Compensation Plan.

FUNDING

Not applicable

BACKGROUND

On May 25, 2010, Your Honorable Body, adopted Resolution 2010-50, establishing a City of Torrance Deferred Compensation Plan 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 2015 annual report was presented to the committee and approved at the March 15, 2016 meeting. Both the committee and City Treasurer recommend that the City Council accept and file this report.

Respectfully submitted,

Dana Cortez
City Treasurer

Noted:

LeRoy J. Jackson
City Manager

ATTACHMENT:
(A) City of Torrance Deferred Compensation Plan Annual Report 2015 Plan Year

8B

CITY OF TORRANCE DEFERRED COMPENSATION PLAN
ANNUAL REPORT – 2015 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

BFS Benefit Financial Services Group

Investment Updates		
Meeting Date	**Item**	**Update**
March 5, 2015	Fund Change	PIMCO Total Return was removed from the Full-Time Plan. Current assets and future contributions of the fund will be mapped into Metropolitan West Total Return Fund.
	Fund Change	PIMCO Total Return was removed from the Part-Time Plan. Current assets and future contributions of the fund will be mapped into Metropolitan West Total Return Fund.
	Fund Change	Great-West Federated Bond was removed from the Part-Time Plan. Current assets and future contributions of the fund will be mapped into Metropolitan West Total Return.
	Fund Change	Lord Abbett Value Opportunities was removed from the Part-Time Plan. Current assets and future contributions of the fund will be mapped into Great-West T. Rowe Price Mid Cap Growth.
June 11, 2015	Investment Policy Statement ("IPS")	In an effort to keep the Plan IPS up-to-date and relevant, the Committee approved an updated IPS proposed by BFSG. The updates included general formatting changes and updates to the appendix section to make it more accurate and concise.
June 29, 2015 (effective date)	Fund Change	The following fund change took effective on June 29, 2015 in the full-time Plan: removal of PIMCO Total Return from the Plan with assets mapped into Metropolitan West Total Return. The following changes took effective on June 29, 2015 in the part-time Plan: removal of PIMCO Total Return from the Plan with assets mapped into Metropolitan West Total Return, removal of Great-West Federated Bond Fund from the Plan with assets mapped into Metropolitan West Total Return, and removal of Lord Abbett Value Opportunities from the Plan with assets mapped into T. Rowe Price Mid Cap Growth.
October 8, 2015	Watch List	Due to relative underperformance and a scheduled change in management, the Committee agreed to place T. Rowe Price Equity Income on Watch in the Full-Time Plan.
	Watch List	Due to relative underperformance and a scheduled change in management, the Committee agreed to place Great-West T. Rowe Price Equity Income on Watch in the Part-Time Plan.

Settlor Updates		
Meeting Date	**Item**	**Update**
March 5, 2015	Plan Expense Reimbursement Account ("PERA") Policy	The Committee approved an updated version of the PERA Policy. The purpose of the PERA Policy is to provide guidelines for the City of Torrance Deferred Compensation Plan Committee on how to allocate monies deposited into the Plan Reimbursement Account. The update to the policy included a definition change for the reserve balance from "an estimate 2 year estimated qualified expenses" to "a reasonable minimum reserve amount which shall be established by the Committee from time-to-time."

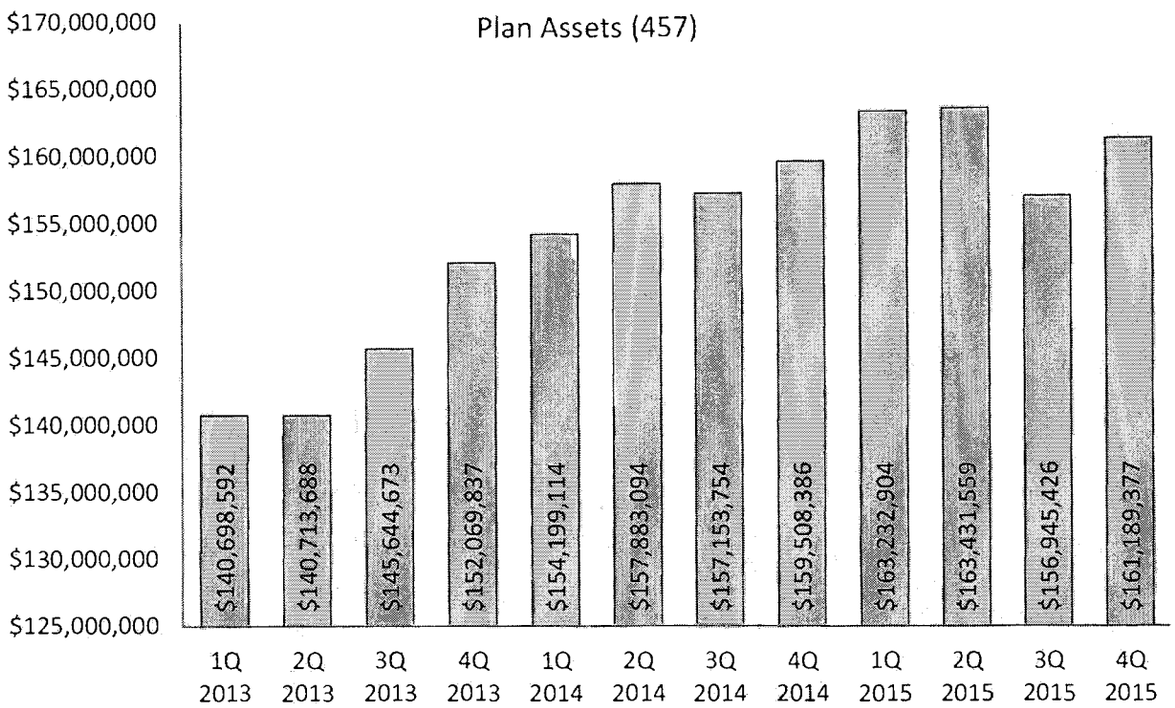
SECTION 3: PLAN ASSETS / DEMOGRAPHICS
(AS OF 12/31/2015)

Benefit Financial Services Group

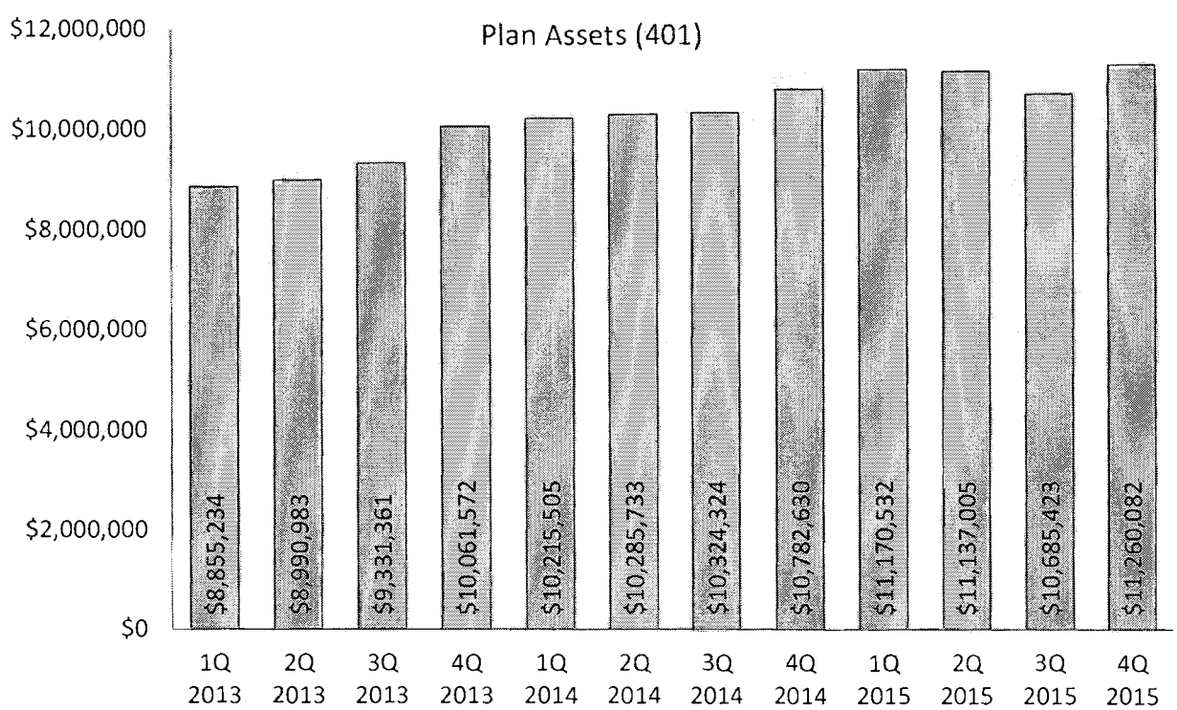
Plan Assets 457 & 401

Investment Option	% of Assets	457	401	Total Assets
Torrance Stable Value Fund	46.16%	$72,602,437	$4,497,646	$77,100,082
Aggressive Lifestyle	7.45%	$11,194,344	$1,246,272	$12,440,616
American Funds Growth Fund R5	6.50%	$10,598,720	$258,761	$10,857,481
Moderate Lifestyle	6.41%	$9,706,073	$997,286	$10,703,360
Dodge & Cox Stock Fund	4.60%	$7,110,439	$566,003	$7,676,442
T. Rowe Price Mid-Cap Growth Fund	4.33%	$6,622,052	$613,852	$7,235,904
BlackRock Russell 2000 Index Coll F	2.77%	$4,360,532	$264,540	$4,625,072
Artisan International	2.67%	$4,269,308	$194,237	$4,463,545
BlackRock Equity Index - Collective F	2.54%	$4,027,140	$215,418	$4,242,557
Metropolitan West Total Return Bond I	2.46%	$3,962,942	$151,223	$4,114,165
BlackRock Mid Cap Index - Collective F	2.20%	$3,363,071	$318,134	$3,681,206
American Funds Fundamental Inv R5	2.14%	$3,244,676	$331,752	$3,576,428
JPMorgan Mid Cap Value Fund Instl	2.14%	$3,363,658	$211,197	$3,574,855
Prudential Jennison Small Company Z	1.26%	$1,665,017	$431,378	$2,096,395
Fidelity Advisor Leveraged Co Stock I	1.16%	$1,692,443	$240,447	$1,932,891
Vanguard International Growth Adm	0.99%	$1,524,923	$126,229	$1,651,152
Conservative Lifestyle	0.93%	$1,459,587	$101,625	$1,561,212
Dodge & Cox Income Fund	0.79%	$1,241,601	$77,903	$1,319,504
BlackRock EAFE Equity Index Coll F	0.62%	$949,818	$90,096	$1,039,914
Columbia Small Cap Value Fund II - Z	0.61%	$959,694	$58,511	$1,018,205
T. Rowe Price Blue Chip Growth Fund	0.52%	$850,625	$20,145	$870,770
Templeton Global Bond Adv	0.21%	$318,678	$35,823	$354,501
T. Rowe Price Equity Income Fund	0.20%	$324,286	$8,540	$332,825
DFA Emerging Markets I	0.19%	$292,304	$31,316	$323,620
Oppenheimer Developing Markets Y	0.14%	$212,508	$23,769	$236,277
Total	**100.00%**	**155,916,876**	**$11,112,104**	**$167,028,980**
Self-Directed Brokerage Account		$5,272,501	$147,978	$5,420,479
Total		**$161,189,377**	**$11,260,082**	**$172,449,458**

Plan Assets 457



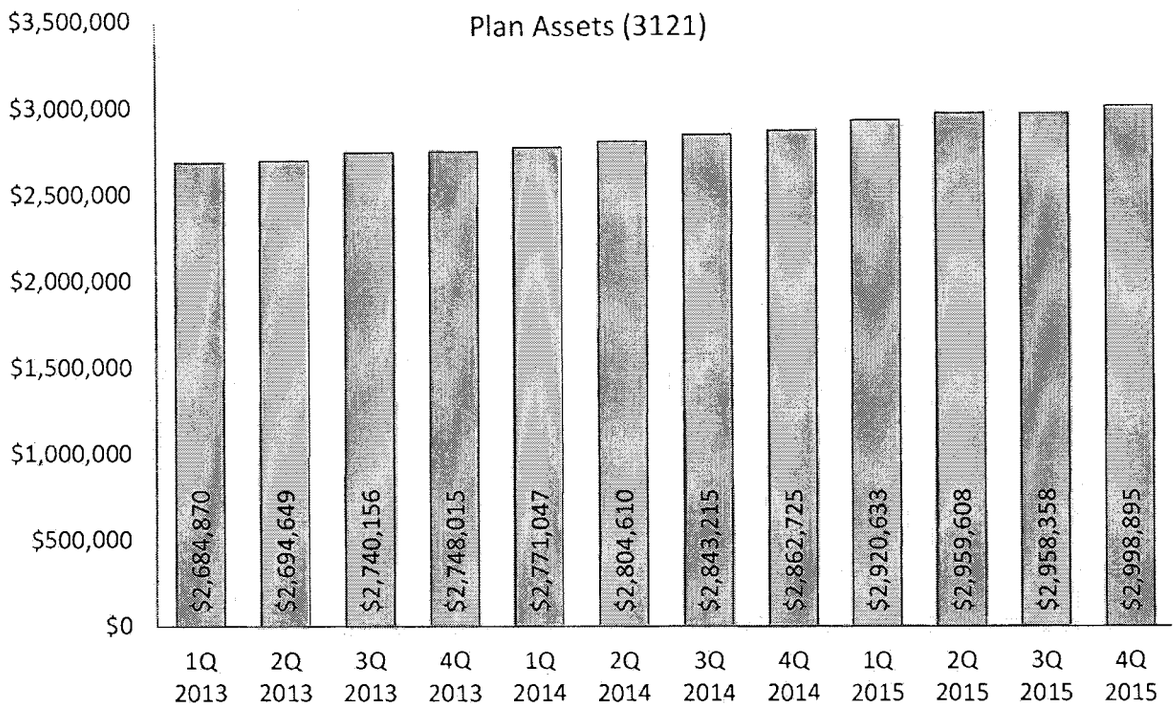
Plan Assets 401



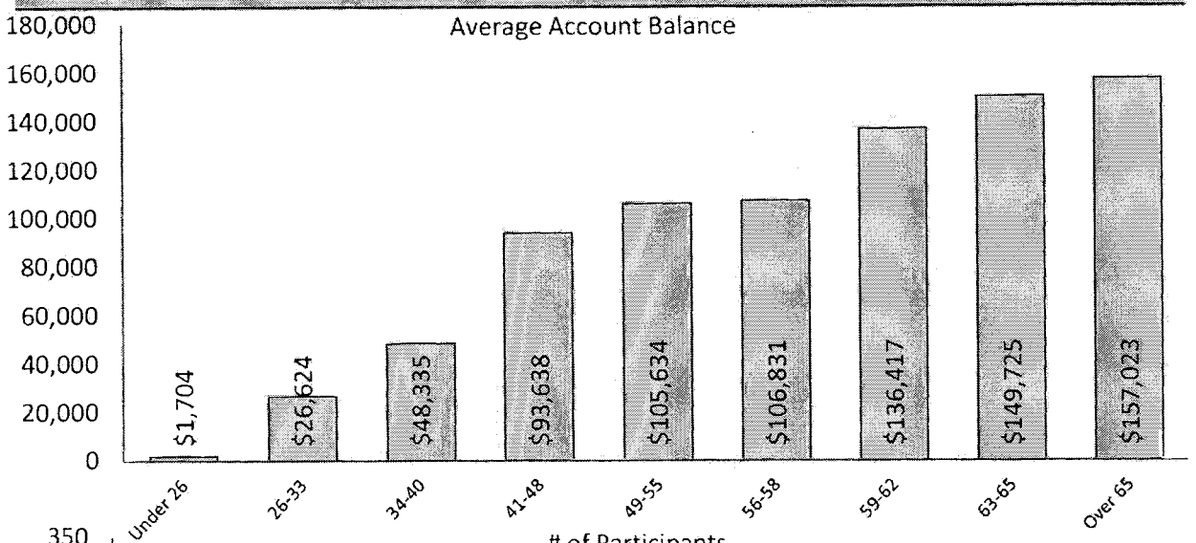
Plan Assets (Part-Time 3121)

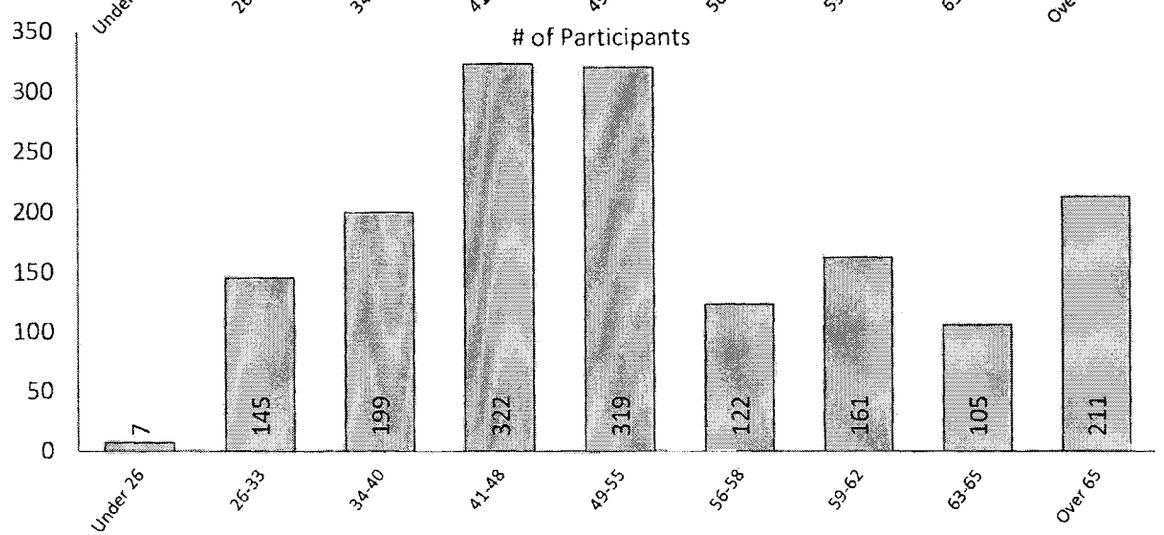
Investment Option	% of Assets	Total Assets
Torrance Stable Value Fund	94.21%	$2,825,376
Great-West T. Rowe Price Eq Inc Fund I	1.06%	$31,689
American Funds Growth Fund of Amer R4	0.71%	$21,271
BlackRock Russell 2000 Index Coll F	0.63%	$19,022
Great-West Lifetime 2035 Fund II T	0.60%	$18,062
Great-West T Rowe Price MidCap Gr Fund I	0.49%	$14,773
Janus Balanced Fund T	0.49%	$14,711
Great-West Loomis Sayles SmCapVal Fund I	0.31%	$9,233
Prudential Jennison Small Company A	0.24%	$7,095
Metropolitan West Total Return Bond I	0.21%	$6,333
Great-West Lifetime 2015 Fund II T	0.18%	$5,476
Artisan International Fund	0.17%	$5,117
American Funds Fundamental Investors R4	0.14%	$4,138
JPMorgan Mid Cap Value A	0.13%	$3,776
Oppenheimer Global Fund	0.11%	$3,387
Great-West Lifetime 2055 Fund II T	0.09%	$2,780
Great-West S&P 500 Index Fund I	0.07%	$1,970
Ariel Appreciation Fund	0.06%	$1,742
Great-West Stock Index Fund I	0.05%	$1,607
Great-West Lifetime 2045 Fund II T	0.03%	$847
Great-West MFS Intl Growth Fund I	0.01%	$386
Putnam High Yield Advantage R	0.00%	$103
Great-West Loomis Sayles Bond Fund I	0.00%	$2
Great-West Lifetime 2025 Fund II T	0.00%	$1
Total		**$2,998,895**

Plan Assets (Part-Time 3121)



Age Group Statistics 457			
Age Group	**# of Participants**	**Balance**	**Average Account Balance**
Under 26	7	$11,925	$1,704
26-33	145	$3,860,508	$26,624
34-40	199	$9,618,684	$48,335
41-48	322	$30,151,497	$93,638
49-55	319	$33,697,351	$105,634
56-58	122	$13,033,441	$106,831
59-62	161	$21,963,086	$136,417
63-65	105	$15,721,120	$149,725
Over 65	211	$33,131,765	$157,023
TOTAL	**1,591**	**$161,189,377**	**$101,313**





SECTION 4: PLAN PERFORMANCE (AS OF 12/31/2015)

Benefit Financial Services Group

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

Performance as of December 31, 2015	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	**2.57%**	**1.26%**	**6.79%**	**6.23%**	**5.56%**	**4.59**	**1.44**	0.47
Custom Benchmark - Index (Passive)	2.26%	0.39%	6.13%	5.36%	4.59%	N/A	N/A	N/A
Custom Benchmark - Category (Active)	2.00%	0.18%	5.60%	4.90%	4.45%	4.53	1.22	0.87

** 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 4Q15	3Q15	2Q15	1Q15
Intermediate-Term Bond				
Dodge & Cox Income	23	22	12	14
Metropolitan West Total Return Bond I	0	0	0	0
World Bond				
Templeton Global Bond Adv	12	13	3	6
Large Value				
Dodge & Cox Stock	32	25	16	20
T. Rowe Price Equity Income	58	58	48	46
Large Blend				
American Funds Fundamental Invs R5	12	13	11	14
Large Growth				
American Funds Growth Fund of Amer R5	34	29	23	21
T. Rowe Price Blue Chip Growth	0	1	1	1
Mid Value				
JPMorgan Mid Cap Value Instl	0	3	5	3
Mid Blend				
Fidelity Advisor® Leveraged Co Stkl	42	36	18	22
Mid Growth				
T. Rowe Price Mid-Cap Growth	0	0	0	0
Small Value				
Columbia Small Cap Value Fund II Z	8	6	8	8
Small Growth				
Prudential Jennison Small Company Z	33	23	27	20
Foreign Large Equity				
Artisan International Investor	16	22	12	10
Vanguard International Growth Adm	1	4	2	1
Emerging Markets				
DFA Emerging Markets I	12	8	9	8
Oppenheimer Developing Markets Y	4	9	5	2
Average Rank	17	16	12	12
Plan Weighted Rank (Reweighted)	18	17	12	13

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.

Evaluation Methodology Summary (3121)

Investment Name	Quarterly Ranking 4Q15	3Q15	2Q15	1Q15
Intermediate-Term Bond				
Metropolitan West Total Return Bond I	0	0	0	0
Multisector Bond				
Great-West Loomis Sayles Bond Init	26	15	10	14
High Yield Bond				
Putnam High Yield Advantage R	74	66	58	55
Moderate Allocation				
Janus Balanced T	19	25	27	29
Large Value				
Great-West T. Rowe Price Eq Inc Init	68	66	61	57
Large Blend				
American Funds Fundamental Invs R4	22	26	22	25
Large Growth				
American Funds Growth Fund of Amer R4	48	44	37	35
Mid Value				
JPMorgan Mid Cap Value A	12	24	32	26
Mid Blend				
Ariel Appreciation Investor	29	33	23	31
Mid Growth				
Great-West T. Rowe Price Mid Cp Gr Init	2	2	3	2
Small Blend				
Great-West Loomis Sayles Sm Cp Val Init	28	27	27	27
Small Growth				
Prudential Jennison Small Company A	51	40	41	32
World Stock				
Oppenheimer Global A	26	25	21	24
Foreign Large Equity				
Artisan International Investor	16	22	12	10
Great-West MFS International Gr Init	32	25	22	29
Average Rank	30	29	26	33
Plan Weighted Rank (Reweighted)	36	25	35	37

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
March 5, 2015 MEETING MINUTES

Members Present:	Ms. Dana Cortez – City Treasurer Mr. John Fellows – City Attorney Ms. Leyta Fuentes – Operations/HR Manager Ms. Mary Giordano – Assistant City Manager Mr. Eric Tsao – Finance Director
Guests:	Ms. Carol Say – Great-West Retirement Services
Committee Consultants:	Mr. John Campbell and Mr. Evan Pickering - Benefit Funding Services Group ("BFSG")

CALL TO ORDER
The fourth quarter meeting of the Deferred Compensation Committee (the "Committee") was called to order at 10:30am.

ROLL CALL
The following members of the Committee were present for the entirety of the meeting: Ms. Dana Cortez, Mr. John Fellows, Ms. Leyta Fuentes, Ms. Mary Giordano, and Mr. Eric Tsao.

ACCEPTANCE AND FILING OF THE DECEMBER 11, 2014 MEETING MINUTES
The following Committee members were present and unanimously accepted and approved the December 11, 2014 meeting minutes as written: Ms. Dana Cortez, Mr. John Fellows, Ms. Leyta Fuentes, Ms. Mary Giordano, and Mr. Eric Tsao.

INVESTMENT MEETING

I. **Investment Policy Statement**
The Committee reviewed the Plan's Investment Policy Statement ("IPS") and BFSG's proposed changes to keep the Policy up-to-date and relevant. After discussion the Committee provided feedback for BFSG to implement into an updated draft for review at the next Committee meeting.

II. **Retirement Plan Quarterly Investment Review (4Q14)**
Mr. Campbell provided an economic overview of the fourth quarter in order to provide context to the performance of the underlying funds in the Plan. GDP, inflation, unemployment, and interest rates were reviewed for the quarter. Market returns were reviewed represented by the S&P 500, MSCI ACWI Ex US, and Barclays US Aggregate Bond Indexes. The Committee reviewed the underlying investment options in the Plan and Mr. Campbell provided additional commentary on the following noteworthy funds:

PIMCO Total Return is currently on Watch due to underperformance, corporate uncertainty, and an abrupt change in management. The fund continued to underperform its benchmark for the quarter and on a one-year basis. Outflows from the fund continued for the quarter at more than $62 billion. Due to the underperformance, corporate uncertainty, and continued investor withdrawals, the Committee voted to remove PIMCO Total Return from the Full-Time Plan and map assets into Metropolitan West Total Return Fund. The motion was unanimously approved by all Committee members present at the meeting: Ms. Dana Cortez, Mr. John Fellows, Ms. Leyta Fuentes, Ms. Mary Giordano, and Mr. Eric Tsao.

The City will authorize Great-West to implement the removal of PIMCO Total Return from the Full-Time Plan and map current assets and future contributions into Metropolitan West Total Return Bond. The change shall be effective as soon as administratively possible.

In addition, the Committee reviewed the investment options in the 3121 Part-Time Plan. The Committee discussed the following funds in more detail:

PIMCO Total Return is currently on Watch due to underperformance, corporate uncertainty and an abrupt change in management. For the reasons discussed in the Full-Time Plan, the Committee voted to remove PIMCO Total Return from the Part-Time Plan and map current assets and future contributions into Metropolitan West Total Return Fund.

Great-West Federated Bond Fund has demonstrated relative underperformance relative to its peer group on a short- and intermediate-term basis. Due to the underperformance of the fund and in an effort to consolidate the intermediate bond fund offerings, the Committee voted to remove Great-West Federated Bond fund from the Part-Time Plan and map current assets and future contributions into Metropolitan West Total Return.

Lord Abbett Value Opportunities is currently on Watch due to underperforming its passive and active benchmark on a 3- and 5-year basis. Due to the underperformance, the Committee voted to remove Lord Abbett Value Opportunities from the Part-Time Plan and map current assets and future contributions into Great-West T. Rowe Price Mid Cap Growth.

The Committee motioned to remove PIMCO Total Return, Great-West Federated Bond Fund, and Lord Abbett Value Opportunities from the Part-Time Plan. The motion was unanimously approved by all Committee members present at the meeting: Ms. Dana Cortez, Mr. John Fellows, Ms. Leyta Fuentes, Ms. Mary Giordano, and Mr. Eric Tsao.

The City will authorize Great-West to implement the agreed upon fund changes. The changes shall be effective as soon as administratively possible.

ADMINISTRATIVE MEETING

I. **Plan Expense Reimbursement Account ("PERA") Policy Review**
The Committee reviewed a redlined copy of the PERA Policy with proposed updates provided by BFSG. The Committee motioned to adopt the updated PERA Policy as written. The motion was unanimously approved by all Committee members present at the meeting: Ms. Dana Cortez, Mr. John Fellows, Ms. Leyta Fuentes, Ms. Mary Giordano, and Mr. Eric Tsao.

II. **2014 Annual Report Review**
BFSG distributed a draft copy of the 2014 Annual Report to the Committee for their review. The Committee will provide feedback to BFSG prior to finalizing the report for City Council.

III. **Quarterly Review**
Great-West provided a Plan review as of December 31, 2014. The review included: Plan distributions, asset allocation, and contributions. It was noted that most of the distribution amount taken during the quarter was attributed to a single QDRO.

CLOSING

A motion to adjourn the Deferred Compensation Committee meeting was unanimously approved by all Committee members present at the meeting: Ms. Dana Cortez, Mr. John Fellows, Ms. Leyta Fuentes, Ms. Mary Giordano, and Mr. Eric Tsao. The meeting adjourned at 12:05 pm.

MOTION APPROVED, Deferred Compensation Plan Committee meeting adjourned.

CITY OF TORRANCE
DEFERRED COMPENSATION PLAN COMMITTEE
June 11, 2015 MEETING MINUTES

Members Present:	Ms. Dana Cortez – City Treasurer Mr. John Fellows – City Attorney Ms. Leyta Fuentes – Operations/HR Manager Ms. Mary Giordano – Assistant City Manager
Guests:	Ms. Carol Say – Empower Retirement Mr. Javier Obando – Empower Retirement
Committee Consultants:	Mr. John Campbell and Mr. Evan Pickering - Benefit Funding Services Group ("BFSG")

CALL TO ORDER
The 1st quarter meeting of the Deferred Compensation Committee (the "Committee") was called to order at 10:30am.

ROLL CALL
The following members of the Committee were present for the entirety of the meeting: Ms. Dana Cortez, Mr. John Fellows, Ms. Leyta Fuentes, and Ms. Mary Giordano.

ACCEPTANCE AND FILING OF THE MARCH 5, 2015 MEETING MINUTES
The following Committee members were present and unanimously accepted and approved the March 5, 2015 meeting minutes as written: Ms. Dana Cortez, Mr. John Fellows, Ms. Leyta Fuentes, and Ms. Mary Giordano.

INVESTMENT MEETING

I. **Investment Policy Statement**
The Committee reviewed BFSG's proposed changes to the Plan's Investment Policy Statement ("IPS"). After review, the changes to the IPS were unanimously approved by all Committee members present at the meeting: Ms. Dana Cortez, Mr. John Fellows, Ms. Leyta Fuentes, and Ms. Mary Giordano.

BFSG will provide the City a final copy of the IPS.

II. **Fund Change Update**
The Committee was updated on the pending fund changes in the full-time and part-time Plans. The effective date of the changes will be June 29, 2015.

III. **Retirement Plan Quarterly Investment Review (1Q15)**
Mr. Campbell provided the Committee with an overview of current market and economic conditions as of March 31, 2015. The Committee reviewed the relative performance of the investment options offered in the Plan for the quarter and over a 1-, 3-, 5-, and 10-year annualized basis in accordance with the IPS. Mr. Campbell discussed the following funds in greater detail.

T. Rowe Price Equity Income has demonstrated underperformance relative to its peer group and benchmark across all measured time periods. Additionally, the fund's manager, Brian Rogers, is scheduled to retire later this year. An underweight to the healthcare sector and an overweight to the energy sector has contributed to the fund's relative underperformance. The fund typically underperforms during rising markets and outperforms during declining markets.

JPMorgan Mid Cap Value outperformed its benchmark and peer group across all measured time periods. The funds outperformance was attributed to strong stock selection. On a 10-year basis the fund's performance ranks in the top 9th percentile of its peers.

The Committee reviewed the evaluation methodology ranking of each of the funds in the Plan, including the return, risk, style and expense score. It was noted that one fund ranked "perform" and 17 funds ranked "outperform." The average rank of the funds was 12 and the Plan-weighted rank was 13.

In addition, the Committee reviewed the investment options in the 3121 Part-Time Plan.

ADMINISTRATIVE MEETING

I. **Beneficiary Update**
Empower provided the Committee with a recap of their efforts in working with the City to update Plan participants' beneficiary information. During the 4th quarter of 2014, Empower added beneficiary information to the participant statements with the goal of encouraging all participants to update this information as necessary. It was noted that in 2014, there were 52 participants that updated their beneficiary information, while in the 1st quarter of 2015, 37 participants had updated their information. Empower proposed that the next campaign would be to selectively target participants without any beneficiary on file.

II. **Quarterly Review**
Empower provided a Plan review as of March 31, 2015. The Committee reviewed distributions, which were notably lower year-to-date than in prior years, diversification based on age group, and average account balance. It was noted that the average account balance in the full-time Plan was greater than $100,000.

OLD BUSINESS

I. **Annual Report**
The Committee motioned to approve the 2014 Annual Report as presented, and was unanimously approved by all Committee members present at the meeting: Ms. Dana Cortez, Mr. John Fellows, Ms. Leyta Fuentes, and Ms. Mary Giordano.

BFSG will provide the City a final copy of the 2014 Annual Report.

CLOSING

A motion to adjourn the Deferred Compensation Committee meeting was unanimously approved by all Committee members present at the meeting: Ms. Dana Cortez, Mr. John Fellows, Ms. Leyta Fuentes, and Ms. Mary Giordano.

MOTION APPROVED, Deferred Compensation Plan Committee meeting adjourned.

CITY OF TORRANCE
DEFERRED COMPENSATION PLAN COMMITTEE
October 8, 2015 MEETING MINUTES

Members Present: Ms. Dana Cortez – City Treasurer
Mr. John Fellows – City Attorney
Ms. Leyta Fuentes – Operations/HR Manager
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 Funding Services Group ("BFSG")

CALL TO ORDER
The 2nd quarter meeting of the Deferred Compensation 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, Mr. John Fellows, Ms. Leyta Fuentes, Ms. Mary Giordano, and Mr. Eric Tsao.

ACCEPTANCE AND FILING OF THE JUNE 11, 2015 MEETING MINUTES
The following Committee members were present and unanimously accepted and approved the June 11, 2015 meeting minutes as written: Ms. Dana Cortez, Mr. John Fellows, Ms. Leyta Fuentes, Ms. Mary Giordano, and Mr. Eric Tsao.

INVESTMENT MEETING

I. **Retirement Plan Quarterly Investment Review (2Q15)**
Mr. Campbell discussed the capital markets and economy to provide the Committee context for the performance of the investment options within the Plan. The performance of each of the investments offered in the Plan was reviewed for the quarter ending June 30, 2015 and over a 1-, 3-, 5- and 10-year annualized basis in accordance with the Investment Policy Statement ("IPS"). Mr. Campbell reviewed the following funds in more detail.

T. Rowe Price Equity Income underperformed its benchmark and peer group across all measured time periods. The fund's manager, Brian Rogers, is scheduled to retire in October of 2015. An underweight to the healthcare sector and an overweight to the energy sector has contributed to the fund's relative underperformance. A motion was made to place T. Rowe Price Equity Income on Watch, which was unanimously approved by all Committee members present at the meeting: Ms. Dana Cortez, Mr. John Fellows, Ms. Leyta Fuentes, Ms. Mary Giordano, and Mr. Eric Tsao.

Prudential Jennison Small Company underperformed its active and passive benchmark on the short- and intermediate-term. Historically, the fund tends to underperform its peer group during rising markets due to its defensive positioning. On a 10-year basis, the fund's performance ranks in the top 37th percentile of its peer group.

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 and Plan-weighted rank of the funds in the Plan was 12. The performance of the Plan as allocated on June 30, 2015 was benchmarked relative to an equivalently-weighted active and passive benchmark. It was noted that the Plan outperformed both benchmarks and demonstrated lower risk, as measured by 3-year standard deviation, and higher risk-adjusted performance, as measured by 3-year Sharpe Ratio. The Plan expense ratio of 0.46% was lower than the active benchmark of 0.88%.

The Committee reviewed the 3121 Part-Time Plan including assets, performance of the investment options, and the evaluation methodology of the funds that received a score. The Committee discussed the following fund in more detail.

Great-West T. Rowe Price Equity Income underperformed its benchmark and peer group across all measured time periods. The fund is subadvised by T. Rowe Price. The fund's manager is scheduled to retire in October of 2015. Due to the underperformance of the fund and the scheduled manager change, a motion was made to place the fund on Watch. The motion was seconded and unanimously approved by the following Committee members present at the meeting: Ms. Dana Cortez, Mr. John Fellows, Ms. Leyta Fuentes, Ms. Mary Giordano, and Mr. Eric Tsao.

ADMINISTRATIVE MEETING

I. **Tibble v. Edison Supreme Court Decision**
The Committee discussed the Tibble vs. Edison International Supreme Court ruling. On May 18th 2015, the U.S. Supreme Court ruled unanimously that a plan participant's breach of fiduciary claim is not barred under ERISA's six-year statute of limitations. The Committee requested that BFSG provide a share class analysis and a review of the qualified Plan expenses to the next Committee meeting.

BFSG will bring a share class analysis and qualified Plan expenses review to the next Committee meeting.

II. **Quarterly Review**
Empower presented a review of the Plan during the quarter ending June 30, 2015. Contributions and distributions were discussed. The Committee requested a review of the de minimis accounts in the Part-Time Plan and questioned whether there is an automated process to cash out participants that meet the de minimis account qualification as defined by the Plan. Empower will research this question.

Empower will research how the current de minimis account "cash-out" process is being reviewed and administered.

CLOSING

A motion to adjourn the Deferred Compensation Committee meeting was unanimously approved by all Committee members present at the meeting: Ms. Dana Cortez, Mr. John Fellows, Ms. Leyta Fuentes, Ms. Mary Giordano, and Mr. Eric Tsao.

MOTION APPROVED, Deferred Compensation Plan Committee meeting adjourned.

CITY OF TORRANCE
DEFERRED COMPENSATION PLAN COMMITTEE
December 7, 2015 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 – Empower Retirement Ms. Carol Say – Empower Retirement
Committee Consultants:	Mr. John Campbell and Mr. Evan Pickering - Benefit Funding Services Group ("BFSG")

CALL TO ORDER
The 3rd quarter meeting of the Deferred Compensation 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, Ms. Mary Giordano, and Mr. Eric Tsao.

ACCEPTANCE AND FILING OF THE OCTOBER 8, 2015 MEETING MINUTES
The following Committee members were present and unanimously accepted and approved the October 8, 2015 meeting minutes as written: Ms. Dana Cortez, Ms. Leyta Fuentes, Ms. Mary Giordano, and Mr. Eric Tsao.

INVESTMENT MEETING

I. **Retirement Plan Quarterly Investment Review (3Q15) – (BFSG)**
Mr. Campbell provided an overview of the capital markets and economy as of September 30, 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 underperformance of the fund relative to peers and an upcoming change in management. The fund continued to underperform its peer group and benchmark for the quarter and 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, and Mr. Eric Tsao.

Fidelity Advisor Leveraged Company Stock underperformed its peer group and benchmark for the quarter and on a one-year basis. The fund favors leveraged companies with high debt levels which typically leads it to underperform during declining markets. The fund has outperformed its category benchmark on a 3-, 5-, and 10-year basis.

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 16 and the Plan-weighted rank was 17. The performance of the Plan, as allocated on September 30, 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 the underperformance of the fund and an upcoming change in management. The fund continued to underperform its peer group and benchmark for the quarter and 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 Great-West 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, and Mr. Eric Tsao.

ADMINISTRATIVE MEETING

I. **Share Class Analysis & Plan Reimbursement Account Review – (BFSG)**
In an effort to detail how the Plan's cost should be borne, and in response to the recent Tibble v. Eddison Supreme Court ruling, BFSG discussed possible solutions for documenting the City's current practice.

BFSG presented a draft copy of the Committee Bylaws, with new proposed language specifying that the Plan shall be structured in such a way that Plan recordkeeping and administration fees are borne by the participants through indirect or direct compensation, to the extent permitted by law. In addition, BFSG presented a draft Expense Policy which details that the Plan will be paid for by indirect or direct compensation and that revenues generated shall not be viewed on an individual investment vehicle basis, but rather as an overall amount from all investment vehicles in the Plan collectively. The Committee will review the proposals internally regarding how to proceed.

For consideration, BFSG presented an illustration of Plan-level fee levelization. Under a fee-levelization structure, the recordkeeping costs of the Plan would be charged equally across all participants with a balance. The Committee expressed interest in the fee levelization structure, though determined that more research needs to be conducted. Ms. Watkins noted that Empower's participant fee disclosure communication system will be available to the Plan in the upcoming year. The Committee agreed that introducing the fee-levelization structure after the participant fee disclosure feature is available is sensible and the Committee will revisit fee-levelization in the future as warranted.

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

III. **Outstanding Items – (Empower)**
Ms. Watkins updated the Committee on the de minimis cash out for the 3121 Part-Time Plan. The participant communication is currently under review. The affected participants of the cash out are those who have been terminated from the City, maintaining an account balance of less than $1,000, and have not contributed to the Plan in the previous 24 months. The cash out is estimated to occur in late January.

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. Eric Tsao.

MOTION APPROVED, Deferred Compensation Plan Committee meeting adjourned at 3:50pm.

INVESTMENT POLICY STATEMENT

CITY OF TORRANCE
DEFERRED COMPENSATION PLANS

Adopted through the June 11, 2015 Committee Meeting Minutes

Section 1: Overview

This statement establishes the policies and objectives for the City of Torrance 457 Plan A; 401(a); and 457 Plan B Deferred Compensation Plans (collectively referred to as the "Plan"). It outlines and prescribes a prudent and acceptable investment philosophy and sets out the investment management procedures that are designed to assist the Plan fiduciary, City of Torrance (the "City") and the Deferred Compensation Plan Committee (the "Committee") appointed by the City Council in the discharge of the fiduciary duties imposed by them under the State of California Constitution, Government Code, and where the California legal provisions are not developed follow the fiduciary duties imposed by Employee Retirement Income Security Act of 1974, as amended ("ERISA"). This statement is not intended to and will not be deemed to expand the fiduciary duties of the City or the Committee or to create duties that do not exist under the State of California Constitution, Government code and/or ERISA.

Section 2: Purpose

The purpose of this Investment Policy Statement ("IPS") is to establish a set of non-binding guidelines for the prudent investment decision-making process and to provide a basis for evaluating investment performance on a periodic basis by the Committee. These guidelines do not constitute a contract or a statement of mandatory requirements, but are only an explanation of the general principles and guidelines currently being applied for investment option selection and retention. Furthermore, these guidelines are not the only factors that may be considered.

The goal of the Plan is to provide a framework for participants to establish a savings and investment program for their retirement. While Plan participants are ultimately responsible for their own investment decisions, the Committee will endeavor to provide a broad range of investment options, allowing participants to invest in accordance with their own time horizons, risk tolerance and retirement goals.

Section 3: Roles and Responsibilities

The following parties associated with the Plan will discharge their respective responsibilities in accordance with all applicable fiduciary standards of the California Constitution, Government Code and ERISA as follows: (1) for the exclusive purpose of providing benefits to participants and their beneficiaries and defraying reasonable expenses of administering the Plan; (2) with the care, skill, prudence and diligence under the circumstances then prevailing that a prudent person acting in like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and of like aims; (3) in accordance with the documents and instruments governing the Plan insofar as such documents and instruments are consistent with the provisions of the State of California Constitution, Government Code and ERISA.

A. Deferred Compensation Plan Committee: The members of the Committee have been appointed by the City Council to act as the "Named Fiduciary." The Committee, as the primary investment fiduciary, is responsible for investment and management of Plan Assets, and the selection of services related to those functions. The Committee will be responsible for the Plan

level investment selection process, as set forth in this IPS, but is not responsible for the individual fund performance and does not guarantee positive investment results.

B. Investment Consultant: The Investment Consultant is an investment co-fiduciary of the Plan charged with the responsibility of advising the Committee on investment policy, advising on the selection of investment managers, providing performance analysis and monitoring services. The Investment Consultant will provide assistance to the Committee for the Plan level investment selection process, as set forth in this IPS, but is not responsible for the individual fund performance and does not guarantee investment results.

Section 4: Investment Choices / Asset Class Guidelines

The Committee will endeavor to offer investment options for each of the selected asset classes as set forth in Appendix A, unless under the circumstances it is determined not prudent to do so. The Committee recognizes that options chosen for a specific asset class may experience investment style drift from time to time and will address these variations as needed. These options will be sufficient to provide participants and beneficiaries with a reasonable opportunity to:

a) materially affect the potential return on amounts in their accounts with respect to which they are permitted to exercise control and the degree of risk to which such amounts are subject;

b) choose from a minimum of three core investment alternatives, (i) each of which is diversified; (ii) each of which has materially different risk and return characteristics; (iii) which in the aggregate enable participants and beneficiaries to achieve a portfolio with aggregate risk and return characteristics at any point within the range normally appropriate for participants and beneficiaries; and (iv) each of which when combined with investments in the other alternatives tends to minimize through diversification the overall risk of a participant's or beneficiary's portfolio;

c) exercise control over their accounts in order to diversify their investments so as to minimize the risk of large losses.

All investment choices will be publicly available mutual funds, collective investment trusts, separate accounts or similar vehicles. All investments being offered will fluctuate in value with market conditions and, when redeemed, may be worth more or less than the amount originally invested. Each of the chosen investment options is designed to follow a specific stated investment objective as outlined in Appendix A.

Section 5: Performance Measurement Standards

The Committee will evaluate all Plan investments against appropriate peer groups and index benchmarks the performance measurement standards outlined in Appendix B. The Committee

intends to use independent discretion and judgment in determining whether any investments are prudent and suitable for the Plan and its participants and beneficiaries, and while the evaluation criteria outlined in Appendix B are intended for guidance, they are not determinative.

Section 6: Investment Option Removal Procedure

The Committee will maintain a "Watch List" for investment options that are not meeting the qualitative and quantitative criteria outlined in Appendix B. An investment option will be placed on the "Watch List" when the Committee determines that the option selected for the Plan fails to meet the criteria set forth in the performance measurement standards for a period of time to be determined by the Committee. The Committee may also remove an investment option for any reason it deems necessary.

Final selection, replacement and/or removal of an investment option from the line-up shall be completed only after conducting a thorough review of the identified investment option. In the event of a fund replacement, the Asset Allocation Models will be changed accordingly.

If the Committee decides that an investment option should be eliminated and replaced with an appropriate alternative option, the following principles are among those that may be applied:

- The costs and fees of replacing an investment option should be identified and evaluated.
- Deleting an investment option or replacing it will not involve a prohibited transaction (e.g., there will be no conflicts of interest).

Should an investment option replacement or elimination be necessary, the Committee intends to satisfy the requirements for a qualified change as defined in ERISA Section 404(c)(4) by mapping the assets from the option replaced or eliminated to an alternative with reasonably similar characteristics, when available, and by mapping only the accounts of those participants who do not provide instructions contrary to the mapping instructions before the effective date.

Should there be a blackout period, as defined in ERISA Section 101(i)(7)(A), resulting from the replacement or elimination of an option, a provider (vendor) change, or for any other reason, the Committee intends to satisfy the requirements for authorizing and implementing such blackout period in order to qualify for the relief from fiduciary liability provided under ERISA Section 404(c)(1)(B).

Section 7: Committee Review of Investment Performance Reports

Upon receipt of the Report by the Committee, copies will be provided to each of the Committee members to review and comment. The Committee will endeavor to meet on a regular basis to discuss the Report.

Section 8: Monitoring Plan Administrative Fees

Costs of recordkeeping Plan investments and (where applicable) the proper use of investment-generated fees (and related revenue) to offset Plan recordkeeping costs, will be reviewed on a periodic basis.

The fiduciaries of the Plan will monitor the fees charged to the Plan and the participants, in accordance with all applicable fiduciary standards. This accounting and monitoring of fees shall be done at least annually, and will generally commence with a request for all fee disclosure from the retirement plan vendor. Disclosures provided will be reviewed and benchmarked by the Committee. A third party consultant may provide assistance with the fee disclosure review and benchmarking process. If such disclosure cannot be obtained from the vendor, the Committee may request that a third party consultant research and provide the most accurate disclosure of fees, benchmarked against other vendors for same services.

In the event fees are determined to be above average or not deemed reasonable for the services provided, the Committee shall attempt to negotiate with the Plan's current service provider or evaluate alternate vendors.

Section 9: Monitoring of Participant Investment Behavior

The Committee will analyze the use of the investment options by the Participants at least annually. Based on their findings, the Committee will determine what, if any, changes to the Plan's investments or services is appropriate.

Section 10: Review and Revisions

The Committee reserves the right to amend the IPS at any time. Ordinarily, it is expected that the IPS will be amended to reflect such changes; however, formal amendment is not required.

APPENDIX A: ASSET CLASSES AND BENCHMARKS

Updated: April 6, 2015

The following list details the peer groups and indexes utilized in the benchmarking of actively managed investment options. Asset classes are based on classifications designated by Morningstar which are periodically updated. Passively managed investment options will be benchmarked against their stated index or one with similar characteristics.

Asset Class	Peer Group	Index
Money Market	Money Market Category	BofA ML 3 Month Treasury Bill
Fixed/Stable Value	Stable Value Category	N/A
Short Gov't Bond	Short Gov't Bond Category	Barclays 1-3 Year U.S. Treasury
Intermediate Gov't Bond	Intermediate Gov't Bond Category	Barclays U.S. Gov't Intermediate Bond
Long Gov't Bond	Long Gov't Bond Category	Barclays U.S. Gov't Long Bond
Inflation Protected Bond	Inflation Protected Bond Category	Barclays U.S. TIPS Index
Short Bond	Short Bond Category	Barclays U.S. Aggregate 1-3 Year Bond
Intermediate Bond	Intermediate Bond Category	Barclays U.S. Aggregate Bond
Long Bond	Long Bond Category	Barclays Long US Gov't/Credit Bond
Multisector Bond	Multisector Bond Category	Barclays Multiverse
High Yield Bond	High Yield Category	ML High Yield Master
World Bond	World Bond Category	Barclays Global Aggregate Bond
Conservative Allocation	Conservative Allocation Category	65% Barclays U.S. Aggregate Bond / 35% S&P 500
Moderate Allocation	Moderate Allocation Category	40% Barclays U.S. Aggregate Bond / 60% S&P 500
Aggressive Allocation	Aggressive Allocation Category	20% Barclays U.S. Aggregate Bond / 80% S&P 500
World Allocation	World Allocation Category	35% Barclays U.S. Aggregate Bond / 65% MSCI World
Large Cap Value	Large Cap Value Category	Russell 1000 Value
Large Cap Blend	Large Cap Blend Category	S&P 500
Large Cap Growth	Large Cap Growth Category	Russell 1000 Growth
Mid Cap Value	Mid Cap Value Category	Russell Mid Cap Value
Mid Cap Blend	Mid Cap Blend Category	Russell Mid Cap
Mid Cap Growth	Mid Cap Growth Category	Russell Mid Cap Growth
Small Cap Value	Small Cap Value Category	Russell 2000 Value
Small Cap Blend	Small Cap Blend Category	Russell 2000
Small Cap Growth	Small Cap Growth Category	Russell 2000 Growth
World Stock	World Stock Category	MSCI World
Foreign Large Cap Growth / Value / Blend	Foreign Large Equity Category	MSCI ACWI ex USA
Foreign Small & Mid Growth / Value / Blend	Foreign Small & Mid Equity Category	MSCI ACWI ex USA Small Cap
Europe Stock	Europe Stock Category	MSCI Europe
Japan Stock	Japan Stock Category	MSCI Japan
Emerging Markets	Emerging Markets Category	MSCI Emerging Markets
Financial Services	Financial Services Category	S&P 500 Sector/Financials
Healthcare	Healthcare Category	S&P 500 Sector/Health Care
Real Estate	Real Estate Category	Wilshire U.S. REIT Index
Technology	Technology Category	S&P 500 Sector/Information Technology
Utilities	Utilities Category	S&P 500 Sector/Utilities
Target Date Funds	Target Date Categories	S&P Target Date Series

APPENDIX B: PERFORMANCE MEASUREMENT STANDARDS

Updated: April 6, 2015

Quantitative Criteria

Investment options will be evaluated against their designated peer groups based on the following quantitative criteria:

- Returns
  - Trailing returns
  - Rolling returns
- Risk
  - Sharpe Ratio
  - Up Capture Ratio
  - Down Capture Ratio
- Style
  - R-Squared
  - Equity Style Consistency
  - Equity Dispersion
  - Bond Credit Quality
- Expense
  - Net Expense Ratio

Qualitative Criteria

In addition to the above quantitative criteria, many additional qualitative factors may be monitored to determine the potential exposure to risk that may make a fund unsuitable as a retirement plan investment option. The additional factors that may be monitored include, but are not limited to, the following:

- Change in fund philosophy
- Change in fund manager
- Individual holding concentrations
- Economic sector concentrations
- Performance volatility as measured by standard deviation
- Portfolio turnover
- Manager tenure
- Asset base
- Average market capitalization

Exceptions

Passive Investment Options: Investment options attempting to track a stated index may be qualitatively evaluated on criteria such as expense, net assets, and historical tracking capability.
Cash or Equivalent Investment Options: Investment options with the primary goal of capital preservation will be evaluated with an emphasis on stability. In addition to performance and expense comparisons, investment options may be qualitatively evaluated through data points such as the market-to-book value, average credit quality, average maturity, average duration, structure of capital guarantees, credit quality of guarantors, and any other criteria the Committee deems prudent in accessing the ability for an investment option to provide capital preservation.

LifeStyle Funds: LifeStyle Funds will be evaluated as a group using quantitative criteria for the individual funds along with qualitative criteria associated with the investment management company. Cultural aspects of the company offering the Lifestyle Funds to be examined may include determination of each fund's allocation, investment methodology, diversification of underlying assets, net assets, and number of risk profiles available. Other qualitative factors may be included in the process.

Self-Directed Brokerage Account: The Committee will not evaluate the individual holdings of the Self-Directed Brokerage Account but may periodically evaluate the appropriateness of offering the option as a whole.

APPENDIX C – PLAN EXPENSE REIMBURSEMENT ACCOUNT POLICY

Benefit Financial Services Group

City of Torrance
Plan Expense Reimbursement Account Policy

PURPOSE: The purpose of this policy is to provide guidelines for the City of Torrance Deferred Compensation Plan Committee ("Committee") on how to allocate monies deposited into the Plan Reimbursement Account (the "Account").

Payments received by the vendor in excess of those necessary to administer the Plan shall be credited to the Account. To the extent that there are excess revenues credited to the Account, it will be the policy of the Plan to administer the Account under the following guidelines:

THE ACCOUNT BUDGET: On a periodic basis, amounts in excess of the vendor-required revenue to administer the Plan (see the most recent Service Agreement with the vendor) will be deposited in the Account. The Plan will utilize the monies allocated to the Account at the discretion of the Committee to pay qualified plan-related expenses or to be reallocated back to participants.

RESERVE BALANCE: In order to ensure that the balance of the Account is sufficient to cover applicable Plan-qualified expense on a period basis, no distribution shall reduce the balance of the Account below a reasonable minimum reserve amount which shall be established by the Committee from time to time (the "Reserve Requirement").

DISTRIBUTION METHOD: The Committee will distribute any remaining revenues to Participants after all Plan-qualified expenses have been paid and the reserve requirement has been met. The formula used to calculate the amount distributed to participants on a regular basis is as follows:

$$\textbf{\% of Reallocation} = \frac{\textbf{Participant EOY Balance}}{\textbf{Plan EOY Balance}}$$

Where: % of Reallocation = Percentage of the total amount to be redistributed to the participant.
EOY = End of Year (End of Day on December 31st of current year)
All figures exclude balances of loans

REVIEW PROCEDURE: The Committee will review this policy on a regular basis and make adjustments as needed.

ADOPTION

The Plan Expense Reimbursement Account Policy is adopted on March 5, 2015 by the City of Torrance Deferred Compensation Committee represented in the accompanying meeting minutes.