

**WASHOE COUNTY
DEFERRED COMPENSATION COMMITTEE
MEETING MINUTES**

Wednesday, November 12, 2014

Committee Members Present:

Darrell Craig, Chairman
Stephanie Shuman, Vice-Chair
Cindy Fladager, Judicial/Probation
Paul McArthur, Secretary/Treasurer
Scottie Wallace, WCEA

Also Present:

Sue Sabourin, Human Resources
Karen Jeffers, Human Resources
Michael Large, Legal Counsel
Mike Fleiner, Bidart & Ross
Robert Trenerry, MassMutual

Committee Members Absent:

Scott Thomas, WCSDA

1. Call to order and roll call

Meeting was called to order at 2:05 p.m. and a quorum was confirmed.

2. Public comment

None

3. Approval of August 14, 2014 meeting minutes

Motion to approve was made, seconded; passed unanimously.

4. Recognition of appointment of Mr. McArthur

Chairman Craig recognized the appointment of Mr. McArthur, Washoe County Comptroller, as the newest Committee member, replacing departing member, Cynthia Washburn, former County Comptroller.

5. Election to fill the Secretary/Treasurer position

Motion was made to appoint Mr. McArthur to the Secretary/Treasurer position recently vacated by Cynthia Washburn. Motion was seconded and passed unanimously.

6. Treasurer's report

Mr. McArthur reviewed the new format which now includes year over year and the ending year in an attempt to show movement over time. Mr. McArthur pointed out no administrative fee revenues are showing yet, and he may start pro-rating those in an effort to let people know it's coming, so he'll be taking the budgeted number and dividing by 12 in the future. He will also start providing more details of travel and professional services expenses at the next meeting. The Committee advised him that the increase in travel expense was due to more members attended the NAGDCA conference this year.

7. Report and discussion on NAGDCA's 2014 annual conference by attendees

Ms. Sabourin's interests and highlights:

- Participation rates are much higher with auto enrollment (up to 90%).
- Average retirement savings for the age group 65 -75 is only \$15,000.
- Communications need to be designed for the target demographic.
- Enrollment reminders should always be sent during pay increase events such as COLA's.
- We should consider taking a more holistic approach to retirement planning.

Ms. Wallace's interests and highlights:

- Active enrollment vs. auto enrollment (where you have to make a decision one way or another) provides a participation rate of about 70%.
- Government best practices indicate we should go out to bid every five years.

- Budget for the future and budget enough for each year.
- Fiduciary responsibility – consultant is great, but you can't defer your responsibility.
- Committee members should study how Nevada defines fiduciary responsibility (NRS).
- Committee terms should be as long as possible; it is to the plan's advantage to have and retain experienced members.
- Cost of monthly replacement retirement income vs. a percentage. Employees will need 11 times their annual gross (13.5 times if over 62) at retirement.

Chairman Craig's interests and highlights:

- Heard many of the same things, but auto enrollment continues to be at the forefront.
- We have fiduciary responsibility to make sure participants are funding the program as fairly as possible. Mr. Fleiner confirmed this will be a part of our RFP.

8. Discussion on Auto Enrollment

Chairman Craig had always thought the obstacle to auto enrollment was NRS, but at the last meeting, it was mentioned that individual bargaining units could approve auto enrollment. Chairman Craig had asked Dave Watts-Vial about this and he confirmed that collective bargaining units could vote on this issue. Because enrollment of new employees is one of our primary missions, Chairman Craig feels we should actively pursue this with the bargaining units. There was Committee discussion about when this should occur and who it should impact. The consensus (including legal counsel) was that it should happen during the annual labor negotiations, which is due to begin next January, and that the language should be included in the contracts since it will obligate future employees.

Chairman Craig asked about employees not covered under bargaining units. Mr. McArthur felt we should create a Human Resources Policy pertaining to non-represented management and confidential employees, and take it to the BCC for approval. Chairman Craig felt we should approach the labor units first, and then non-represented, although the argument was made that if management approves first, the labor units might be more receptive. The Committee felt this should be an all or nothing feature, but Mr. McArthur confirmed that even if just one bargaining unit voted to add this to their contract, payroll could accommodate that. In an attempt to determine a game plan, the question of pursuing auto enrollment or active enrollment came up; whether or not we should offer both choices to the labor units; and whether the enrollment option should apply to new employees only, or current employees as well.

There was also concern about the units' perception, i.e. if "management" is asking to add this to their contract; they will want something in return. Mr. Large cautioned that if we are going to take action, it would need to be re-agendized. Since the next regularly scheduled meeting isn't until February, it was decided we would meet again on Friday, December 5, at 8:30 am to discuss and take action on this item only, and Ms. Sabourin will schedule the meeting and take care of the Outlook invites. Mr. Fleiner suggested bringing this forward to the BCC in the meantime and Mr. McArthur advised that once the BCC approves, we'll have to campaign the issue. We'll want to provide statistics and make sure we present this in such a way that employees know it's to their advantage ("We want to see you have a long and successful retirement..."). Then it's not viewed as something on the table that needs to be negotiated. Ms. Sabourin mentioned there will be new BCC members this January, so we should wait until after that to approach the Board.

Ms. Shuman agreed that we need a set game plan before approaching the labor units and that should be the focus of the December meeting. Mr. Fleiner brought up the fact that we're doing an RFP this year, and that auto enrollment can take up to two years to fully implement. We will really need to do education with the bargaining groups. Ms. Fladager volunteered to do some research on other entities using auto enrollment and gather statistics on their participation rates. Ms. Shuman volunteered to contact the

presidents of the other unions, and Ms. Sabourin will provide her with that contact list. Before we contact them, Mr. McArthur recommended we clearly define whether we're recommending active or auto enrollment, and at what limit; should it include only new employees or current employees as well? All of these issues should be discussed and defined at the December meeting. Mr. Trenerry reminded the Committee that if they choose active enrollment, that can be done every year, and we should definitely interface with Caitlyn to make sure we get the messaging right.

9. Report and discussion on the 2014 National Save for Retirement Week

Mr. Trenerry thanked Ms. Sabourin for her time and assistance with this campaign, which he felt was very successful, and gave the following statistics:

- Twenty-five attendees at three group meetings
- Forty-eight individual meetings
- Five extra meeting days booked in November with 54 appointments so far
- Sixteen increases in contributions
- Eleven rollovers
- Eight long –form enrollments; six EZ enrollments
- Four beneficiary changes
- Eighteen allocation changes

10. Review updates to MassMutual's recordkeeping services regarding participant loans

Ms. Sabourin advised the Committee that she had received a communication from MassMutual asking Plan Sponsors to make sure their Plan Document's cure period meets the IRS regulations. Our consultant and legal counsel have reviewed our Plan Document and agree it does already meet those regulations. Mr. Trenerry added that Washoe County loans are repaid through payroll, which cuts down on defaults.

11. Set the 2015 Deferred Compensation Committee meeting calendar

The Committee always meets on the second Wednesday every third month beginning in February, but this year the November meeting falls on Veteran's day. The Committee agreed to move that meeting date from the November 11 to November 18. Ms. Sabourin will send the Outlook calendar invites for 2015 to everyone in the next week or so.

12. Discussion and update on RFP for Record-Keeping and Administrative Services of Retirement Savings Plan

Mr. Fleiner gave the Committee members a copy of the RFP questionnaire and the list of prospective vendors we would be looking at. He reviewed the type of information we will be looking for and the tentative RFP schedule. Mr. Fleiner reminded the Committee that this process is part of Bidart & Ross's contract and that there will be no additional charge for this service. In reviewing the schedule, Mr. Fleiner felt we should have a special, separate meeting in June to review the RFP results. Mr. Fleiner explained the scoring process, and while not necessary, a subcommittee of Deferred Compensation Committee members could participate in the scoring process as well. Chairman Craig was concerned that it was our fiduciary responsibility to participate in the process, and Mr. Fleiner assured him that while the Committee is welcome to participate, it doesn't affect our fiduciary responsibility. Ms. Sabourin reminded the Committee that this is a very time consuming process. Mr. Fleiner said the vendors may come in and make a formal presentation, and we may even want to do an onsite visit to the top contender(s).

13. Discussion and possible action on Deferred Compensation survey requests

Chairman Craig and Ms. Fladager wanted to discuss how to centralize the survey requests that various Committee members receive. Chairman Craig suggested all surveys be forwarded to Ms. Sabourin and then she can decide whether or not to pursue them, and if so, who to farm them out to. Ms. Sabourin indicated she only has enough bandwidth to complete the NAGDCA annual survey, so if she thinks other surveys are worthy of completing, she will send them out to Committee members and ask for volunteers.

14. Quarterly review of MassMutual's account service objectives

Mr. Trenerry quickly reviewed the third quarter service objectives and a few of the statistical highlights were:

- Thirty new 457 enrollments
- Three hundred eighty one-on-one counseling sessions
- Twelve rollovers in
- Sixteen rollovers out
- Nineteen PERS purchases
- Thirty-two 457 loan applications
- One hundred ten ROTH participants

15. Report and presentation regarding fund performance update for the most recent quarter, and possible recommendation, discussion and action to change investment fund lineup

Mr. Fleiner quickly reviewed some of the highlights of the quarterly report. He indicated there was a little volatility this quarter, with small caps in particular. A big reason for this was the concern over the economic slowdown in Europe. He still feels the majority of the areas of the market are still strong territories. Three year numbers are exceptional.

There are two funds on guarded status: American Century and Hartford Capital Appreciation. We continue to struggle with lagging performance on these funds, which are both large cap equity funds. Hartford Capital has improved, moving up from watch status, although Mr. Fleiner is seeing a lot of negative cash flow in this fund so is thinking the strategy itself may have gotten too big--to the point of being ineffective.

Total 457 plan assets at the end of the quarter were \$134M including loans; total 401(a) plan assets were \$8.7M.

Fixed income has been the big surprise this year. When you look at the twelve month numbers, they are up 5.3% vs. 4%. Last year we were talking about rising interest rates and flat-to-negative returns on bonds; but rates went down.

In reviewing fees, we're at 62 basis points and 16 of those go back to MassMutual from a revenue sharing perspective. We credit 65 basis points of the General Fund as going back to MassMutual to offset recordkeeping expenses, but that number hasn't been updated in years. Mr. Fleiner asked Mr. Trenerry if he could help him pinpoint that number more accurately.

Mr. McArthur left the meeting at 3:55 p.m.

*16. Comments by Committee or staff members

Ms. Sabourin reminded the Committee of upcoming appointments. Ms. Shuman's term is up February 2015, at which time she'll need to be reappointed or someone new will need to be appointed. Everyone else's terms are up for renewal November 2015, so we'll agendaize this item at the May 2015 meeting.

*17. Public comment

None

*18. Adjournment

Meeting was adjourned at 4:12 p.m.