

**WASHOE COUNTY DEFERRED COMPENSATION COMMITTEE
MEETING MINUTES**

Monday, October 5, 2015

Committee Members Present

Darrell Craig, Chairman
Mary Solorzano, Acting for ACM Hastings
Scottie Wallace, WCEA

Also Present

Ashley Farmer, Human Resources
Karen Jeffers, Human Resources
Stephan Hollandsworth, Legal Counsel
Mike Fleiner, Bidart & Ross

Committee Members Absent

Stephanie Shuman, Vice-Chair
Heather Potts (Judicial/Probation)
Scott Thomas, WCSDA

1. Call to order and roll call

Meeting was called to order at 2:02 p.m. and a quorum was confirmed.

2. Public comment

None

3. Review and possible action regarding MassMutual Service Agreement

Mr. Fleiner briefly reviewed the Administrative Services Agreement (ASA) and its Exhibits and assured the Committee he had carefully reviewed the agreement and confirmed everything that was requested in the RFP was included in the ASA. Mr. Fleiner answered some clarifying questions the Committee had and pointed out some highlights in the Exhibits:

Exhibit A: Administrative Services

This is essentially the master document for all the administrative services will receive.

Exhibit B: Plan Conversion Services

This exhibit provides the investment lineup and everything remains the same with the exception of the index funds. We are now using Van Guard instead of State Street funds (SSGA 500, SSG MidCap, SSGA Russell) and we made some share class changes from the Hartford balanced fund to the American balanced fund. Mr. Fleiner reviewed everything to make sure everything was correct and written as it should be.

He also explained how the age-based model strategies will be changing. In the past, the models were static and participants had to be manually moved from one model to another. Now, these models will be known as 2050, 2040, 2030, 2020 and 2010 and the advantage is that these portfolios will be aged automatically and the risk will now be reduced gradually within that model. Next year we could discuss adding more strategies in five-year increments.

Exhibit C: Plan Investments

Mr. Fleiner pointed out that although Premier Money Market is checked as the plan default investment option, the plan default investment option is actually the Guaranteed Investment Account, although in the future, we could use the custom choice strategy as the default if we wished.

Exhibit D: Fees

All fees are straight out of the RFP and all have been confirmed. The Committee briefly discussed the new investment tool (Participant Investment Advice online) which is a \$15 annual cost to the participant.

Exhibit E: Compensation Paid By MassMutual

This Exhibit can be disregarded as we don't have any agents or subcontractors (boilerplate language).

Exhibit F: MassMutual Retirement Services Float Policy

Member Wallace asked what a "float" was and Chairman Craig explained that many years ago, when you would send your money to The Hartford, it would take 7 – 10 days to process. All that interest that accrued in those 7 – 10 days belonged to The Hartford (the float). Mr. Fleiner added the company could technically put monies that come from the plan sponsor into a short term money market account and could make money on the float. With the efficiencies of today's recordkeeping, there is very little float. Monies come in and are essentially invested overnight; MassMutual is simply obligated to denote their Float Policy.

Exhibit G: Expense Budget Account

The Committee noted a correction on this Exhibit—the header is showing as "H" and needs to be corrected to "G."

The Expense Budget Account is similar to what we've done in the past. Currently, the cost of record keeping services comes out of revenue sharing. We are estimating the current basis points needed per year will be around 10. We get 16 basis points of revenue sharing today and we had arranged a hard dollar payment annually of \$45,000 for expenses. When we're short of what we collect in revenue sharing, MassMutual deducts that shortage from the \$45,000. However, we had discussed not having this hard dollar amount because we carry a surplus. Going forward, we have two options:

1. MassMutual could create an Expense Budget Account for us for any excess revenue sharing and we would use that to pay for any expenses. This changes the way we do business, though, because we would be submitting the invoices directly to MassMutual and they would be cutting the checks. If we don't use it by the end of the year, the balance gets rebated back to participants.
2. The other option is a Plan Expense Reimbursement Account (PERA). It works the same way, except two basis points would go back to Comptroller on a quarterly basis for expenses, rather than rebating back to participants.

The Committee talked about whether or not we would want to keep our bank account. Years ago the Committee was advised and encouraged to build up the account for emergencies. Chairman Craig doesn't think we should spend our current account down to zero. Member Solorzano agreed we should leave the existing account alone for emergencies, but likes the first choice for being more automated. We would still receive money for expenses, but likes the fact that balances would go back to participants. She also felt that would be more transparent, and would go over

well as a public relations issue. Mr. Fleiner clarified it would still be our account, we would just be directing MassMutual in how to administer it, so it wouldn't necessarily eliminate all our administrative responsibilities. Chairman Craig reminded the Committee that we already have a Revenue Reimbursement policy in place which outlines when monies should be rebated back to participants. Mr. Fleiner also confirmed that we could leave things more status quo for now with option 2 (PERA) until we have time to digest and then we can change if we want to. We could use two basis points now, and spend down the existing account. We can always go back to MassMutual and renegotiate additional points to cover any additional costs. Chairman Craig advised he would like to leave things as is for now and focus more on getting the conversion done. After conversion we can re-analysis this again as a future agenda item. Mr. Fleiner will make sure the PERA language is substituted in place of the Expense Budget Account language in this Exhibit.

Member Wallace asked about the Educational Meetings noted on page A-2 and wondered if we would be charged if fewer than 10 employees attended a meeting. Mr. Fleiner and Mr. Trenerry clarified that this is a general average and that this has not been an issue in the past. Tom Verducci, our local MassMutual representative, meets with individuals and groups on a regular basis, and in fact, knowing that seventy percent of Mr. Verducci's time should be spent on Washoe County's Plan, MassMutual thought it might be to the County's advantage to find some space here at the County so that he could have regular hours and provide better service for County employees. He would just need a space to sit and meet with employees; he would not need any office equipment. Human Resources staff will follow up with the Community Services Department to see if that might be a possibility. A correction on this page was also noted— Mr. Verducci's title should read Retirement Education Specialist. Mr. Trenerry will make sure this gets corrected.

Exhibit H: Approval Services Plan Sponsor Direction

This outlines a few more fees, but the big change is the Domestic Relations Orders (QDROs) will now be administered and managed by MassMutual rather than the County. Loans can be for up to 5 years; residential loans can be 30 years. There was discussion about the possibility of allowing termed employees to pay off their loans rather than being defaulted to avoid asset leakage, but in the end, they felt the assets would be too small to worry about.

Mr. Fleiner also pointed out a few other issues from the other documents that were distributed:

- On the side letter to Ms. Farmer, under item 4, we can change the first sentence to indicate the County will be utilizing the Plan Expense Reimbursement Account and will be receiving the excess expense over about 2%. Under item 1, we would want it to read "at least 70%" rather than "65 - 70% of time." The question was posed about whether or not MassMutual had any sort of tracking system to check on what percentage of time Mr. Verducci was actually spending on the Washoe County account. Mr. Trenerry indicated he didn't think so, but would look into this and get back to us. Mr. Fleiner added that this was put into place in the event that we started getting complaints that our local representative wasn't returning calls, or meeting with employees when requested.
- There are two annuity agreements, both identical, but one is for the 457 plan and the other for the 401(a). Much of this is boilerplate language, but the Guaranteed Interest Account Schedule (page G1), is specific to Washoe County. MassMutual agreed to retain the 4% floor

rate through 2016 and then there will be a wind-down over the next five years (down to 2.75%), which is exactly what was in the RFP, and what we agreed to. However, this is a different investment account from the old Hartford account, so Mr. Fleiner wanted to add language in the side letter stating we could have some flexibility if we choose to go with another Guaranteed Interest Account with more favorable terms, and that they would work with us on the Market Value Adjustment calculation.

- The Trust Agreement is a boiler plate agreement and Mr. Fleiner didn't see any issue with this. Chairman Craig explained for many years, a trust was not required and the money was in a County account. When Orange County went bankrupt, the law was changed to require these assets to be kept in a trust.
- Investnet Retirement Solutions. This is the party with whom MassMutual partners with to do the investment advice piece. It is integrated into the MassMutual platform, but it is completely discretionary; participant can turn off if they don't like it. Mr. Fleiner said it's quite robust and may appeal to some folks. It is more than just a calculator tool—you get real investment advice.

A motion was made to approve the MassMutual Administrative Services Agreement and ancillary documents pending non-substantive corrections as noted. Member Wallace moved, Member Solorzano seconded, the motion passed unanimously.

4. Comments by Committee or staff members

Ashley asked about Chairman Craig and Member Wallace's renewals. Chairman Craig has talked to Carla Fells who said she was going to take it to the next WCEA (Washoe County Employees Association) Board meeting. Ashley will send an email to Ms. Fells reminding her their appointment are up for renewal in November, and that it needs to be put before the WCEA Board ASAP.

*5. Public comment

None

*6. Adjournment

Meeting adjourned at 3:10 p.m.