

WASHOE COUNTY DEFERRED COMPENSATION COMMITTEE MEETING MINUTES

Friday, May 13, 2016

Committee Members Present

Darrell Craig, Chairman
Stephanie Shuman, Vice-Chairman
Scottie Wallace, WCEA
Scott Thomas, WCSDA
Heather Potts (Judicial/Probation)

Also Present

Ashley Farmer, Human Resources
Vicki Scott, Human Resources
Stephan Hollandsworth, Legal Counsel
Mike Fleiner, Bidart & Ross
Robert Trenerry, MassMutual
Bob Gleason, MassMutual

Committee Members Absent

Mary Solorzano, Secretary/Treasurer

1. Call to order and roll call

Meeting was called to order at 2:00 p.m. and a quorum was confirmed.

For the record, Chairman Craig stated that member Mary Solorzano was absent. Chairman Craig introduced Mr. Bob Gleason to the Committee. Mr. Gleason will be replacing Robert Trenerry upon his retirement as Washoe County's Relationship Manager. Brief introductions were made by the members of the Committee.

2. Public comment

None

3. Approval of November 18, 2015 meeting minutes

Member Wallace moved, Member Thomas seconded; the motion passed unanimously.

4. Treasurer's Report

Committee briefly reviewed the report for the period ending April 30, 2016. Chairman Craig explained that this account is funded by MassMutual for administrative reimbursements and that the balance is approximately \$30,000 per year. Chairman Craig further explained that this account pays for consultant services, membership in NAGDA and travel to NAGDA conferences for committee training.

5. Discussion and possible action regarding number of loans plan participants can take and the possibility of accelerated loan payments. (Darrell Craig as requested by Plan Participant)

A participant had asked this question of Chairman Craig which is why the item is on the agenda. Chairman Craig stated that the Committee had discussed and determined that one loan at a time was sufficient. This participant also asked about the possibility of accelerated loan payments. MassMutual does not offer accelerated payments, but they do allow the loan to be paid early, in full. The participant did not attend the meeting and no action was taken.

Chairman Craig requested this item be removed from the next agenda stating that this participant has been provided three opportunities to present to the Committee and has not made an appearance.

6. Discussion and possible action regarding allowing other County entities to participate as a subset of Washoe County Deferred Compensation Plan.

Mr. Trenerry opened the discussion by providing background information: When Truckee Meadows Fire Protection District (TMFPD) became a separate entity it joined the State of Nevada's Deferred Compensation Plan. The State of Nevada's plan allows for other entities within the State to join their plan. Currently the State of Nevada has 34 such entities. In February of 2015, the State made a decision to go with VOYA as their single provider instead of MassMutual; TMFPD and 33 other entities went along with the State's choice. Mr. Trenerry further explained that Clark County's Deferred Compensation Plan also allows for other entities to join their plan and, currently, there are six additional entities that participate. Mr. Trenerry asked if the Committee would consider the idea of allowing other entities to join Washoe County's plan using the State of Nevada and Clark County as an example. Such entities could include the City of Sparks, TMFPD, Truckee Meadows Water Authority, Reno-Sparks Convention and Visitors Authority, Reno-Tahoe International Airport, Regional Transportation Commission and the City of Reno. The primary benefit of

allowing other entities to participate in our plan is that it could possibly grow our assets and aid in negotiating better rates.

Mr. Trenerry further explained that the additional entities would be set up on their own plan (included as a subset of Washoe County's plan); the investment lineup, fee structures and fixed account rates for each entity would be the same as Washoe County's. Additionally, each entity would have a separate plan document that would mirror Washoe County's Plan document. From an administrative standpoint, there would be minimal impact.

Legal counsel for the Committee, Stephan Hollandsworth stated he would need to research legal aspects and review relevant statutes before a decision is made. Mr. Trenerry will provide an electronic copy of Clark County's Plan document to Mr. Hollandsworth for reference.

Member Wallace asked if the Committee structure would change if other entities were allowed to participate in Washoe County's Plan. Mr. Trenerry replied that the State of Nevada does not currently have committee members from other entities on their Deferred Compensation Committee. Clark County does have voting members from the other entities that participate on their committee.

Ashley Farmer asked about the impact to staff if other entities were to participate in our plan. Mr. Trenerry answered that participants would go to the designated administrative person for their entity for assistance.

Motion was made that the Committee move forward to increase their understanding and explore the concept of allowing other entities to participate in Washoe County's Plan. Member Wallace moved, Member Thomas seconded; the motion passed unanimously.

7. Discussion and possible action regarding Committee members participating in the National Association of Government Defined Contribution Administrator's 2016 annual conference, held September 18-21, 2016, in Denver, CO.

An agenda and registration packet was provided to committee members. Chairman Craig stated that in the past, the Committee has allowed any or all committee members to attend the conference along with one staff member. Chairman Craig would like to see registration completed by committee members interested in attending the conference by the end of May or first week in June.

Motion was made that the Committee send any and all committee members as well as one administrative staff member to the conference held September 18-21, 2016 in Denver, CO. Member Thomas moved, Member Wallace seconded; the motion passed unanimously.

8. Quarterly review of MassMutual's account service objectives (Robert Trenerry)

Mr. Trenerry passed out the first quarter (January 1-March 31, 2016) Summary Sheet and briefly reviewed some statistics:

- The number of meetings are down compared to last year but the number of attendees increased
- Participant enrollments are down compared to the first quarter of last year; however, first quarter numbers are consistent when compared to the fourth quarter of last year: 25 participants enrolled in the fourth quarter last year; 26 participants enrolled first quarter of this year.
- Rollovers In/Out increased compared to the first quarter of last year
- PERS purchases were up over 13 purchases from last quarter
- Loan activity stayed consistent
- We continue to have low usage of hardships; zero hardships in the first quarter
- Participants in the 457 plan increased by 60 participants; 3% increase overall
- Average account balance is down compared to the previous year because we have more new hires and haven't had any real asset growth due to poor market performance
- ROTH provision continues to have steady growth

Mr. Trenerry stated that overall the Plan is doing well considering we had the conversion this year and the market has been a little tenuous.

Mr. Trenerry briefly reviewed the first quarter 457 and 401(a) Plan Review documents. Points of discussion included the following:

- Breakdown of plan statistics including withdrawals, terminations, loans and expenses. It was noted that the total dollar amount for terminations was high for the quarter and that was probably due to the clean-up from the conversion. Investment income was up for the quarter; however, it is compared to the prior quarter which only included six weeks of numbers.
- Briefly discussed the implementation of the demographic file. The demographic file will transmit employee information directly to MassMutual facilitating marketing and communication. One of the goals going forward is now that participants have the ability to make contribution changes online those changes will get “pushed” to the County and uploaded directly into the payroll system eliminating the need for Payroll to enter the changes manually.
- Discussed demographic graphs categorized by age showing the number of participants and the average account balance.
- Statistics on participant activity and information on MassMutual’s communication and education campaigns

9. Report and presentation regarding fund performance update for the most recent quarter, and possible recommendation, discussion and action to change investment fund lineup. (Mike Fleiner)

Mr. Fleiner reviewed the reporting packet for the first quarter of 2016 (January 1 – March 31, 2016). We started off the first two months of year with the S&P losing about 11% of its value. All equities came under significant pressure as the slow-down in China continued to cause a lot of investor angst. The market, however, experienced a pretty strong snap back as valuations got attractive again minus small cap growth. Small cap in general has struggled the last 12 months. Additionally, non-US stocks continue to struggle primarily due to the current situation in China. To re-cap, the market stabilized after an initial rough start in 2016 and ended up in positive territory minus non-US and small cap exposures.

In reviewing the funds, Mr. Fleiner noted that for the first time, we have four funds on the watch list: Hotchkis and Wiley Mid-Cap Value, Hartford Small Company, Deutsche Real Asset Fund and Hartford Capital Appreciation. Hotchkis and Wiley and Hartford Small Company funds are near term under performance funds and will not be considered at this time.

The two funds that are of real concern are the Deutsche Real Asset Fund (alternative asset allocation fund used in the aged-based models) and the Hartford Capital Appreciation Fund.

Mr. Fleiner reviewed and discussed the Hartford Capital Appreciation Fund: He explained that this fund has been under pressure for a while. It is a large fund and is experiencing difficulty maneuvering the markets. The fund has continued to slip against the index and against funds in the large cap peer group. Mr. Fleiner recommends, with the Committees approval, that he look for another active manager to fill this slot.

Committee discussed the option of eliminating the Hartford Capital Appreciation Fund and re-allocating the funds to the closest three large cap funds currently offered. Further, it was pointed out that the Hartford Capital Appreciation Fund is the largest, most popular fund and eliminating it would be difficult. Mr. Fleiner commented that the first option would be to search for another active manager and, if he is unable to locate a suitable prospect, map the fund to the index. Mr. Fleiner would conduct a full search. The process would include screening for appropriate funds that would be a good strategic fit, researching the firms and conducting manager visits. Mr. Fleiner will report his findings to the Committee at the next meeting.

Mr. Fleiner reviewed and discussed the Deutsche Real Asset Fund: Currently, \$519,000 is invested in this fund mainly in the age-based models. This fund has been placed on watch status due to change in fund strategy starting April 2016. Mr. Fleiner does not foresee this fund benefitting the portfolio in the long term. Mr. Fleiner recommends, with the Committees approval, that we terminate the Deutsche Real Asset fund and reallocate within the models and any participants who have stand-alone exposure be mapped to the Vanguard Institutional Index Fund.

Mr. Fleiner provided a handout on Washoe County’s Age-Based Retirement Portfolios. Highlights of the discussion are provided:

- Several years ago, age-based portfolios were created targeting bandwidths of ages in 10-year increments. On the old Hartford platform, participants were lifted and placed into the next portfolio as they hit the age threshold. With the new platform, participants move down the glide path automatically.
- Mr. Fleiner proposed adding additional model portfolios: Instead of 10-year bandwidths of ages, he proposed 5-year bandwidth of ages up to year 2060. This is considered best practice in the market place for target date solutions

Chairman Craig commented that it would make sense to combine the communication to participants of the proposed changes so that one notification is sent. Mr. Fleiner agreed that one comprehensive notification could be created and disseminated to participants.

Other highlights from the report:

- Started the quarter with \$131.5 million dollars in total plan assets (not including loans); \$2.8 million came into the plan; \$3.4 million left the plan. Basically, the quarter ended where we started even with all the market volatility. We did make about .5% for the quarter.
- 457 assets are down 1.2% of the total plan assets. Returns on the total plan have come down as volatility has re-emerged.
- Discussed fund returns for the quarter:
 - Lazard Emerging Markets Fund had been struggling for some time but bounced back (the fund is up 14%).
 - Index funds in general have done better than some of the active funds
 - Age-based models for the most part were in positive territory for the quarter and ranked very well versus other target date type strategies.
- Contribution activity is steadily rising in the plan

In summation, Mr. Fleiner stated that he is recommending an enhancement to our model-based portfolios, fund changes to the Hartford Capital Appreciation Fund and the Deutsche Real Asset Fund. Further, Mr. Fleiner stated that the goal would be to accomplish the proposed changes simultaneously.

10. Comments by Committee or staff members

Chairman Craig stated that he had one item to discuss that might be considered for a future workshop or agenda item.

At the last meeting on February 10, 2016, three members of the six member committee were present. On the advice of legal counsel, the meeting was canceled due to lack of a quorum. Legal counsel informed the Committee that four members are required to be present to constitute a quorum. Chairman Craig mentioned that for years the Committee operated under the premise that three members out of the six member committee constituted a quorum. Chairman Craig asked legal counsel to research the change and report back to the Committee with his findings.

Legal Counsel, Stephan Hollandsworth reported back to the Committee his findings: By statute, a quorum is a simple majority of the number. For the purposes of this committee, it would require four members present to constitute a majority unless another proportion is established by law. At some point, a resolution was passed that attempted to change that proportion to three members. However, under an opinion by an Attorney General, in a somewhat different context, a resolution or ordinance is not considered law. So the resolution purporting to change the quorum did not constitute a law. Based on legal counsel's report, it was determined that a workshop and/or agenda item was not needed.

Member Wallace asked the Committee if they had interest in discussing automatic enrollment. Chairman Craig asked Member Thomas if he had information he could provide to the Committee on the topic of automatic enrollment if it was placed on the agenda for the next meeting. Member Thomas replied that he could provide information at the next meeting. Discussion on automatic enrollment will be on the August 10, 2016 agenda.

11. Public comment

None

12. Adjournment

Meeting adjourned at 3:55 p.m.