

WASHOE COUNTY DEFERRED COMPENSATION COMMITTEE

MEETING MINUTES

Wednesday, August 10, 2016

Committee Members Present

Darrell Craig, Chairman
Heather Potts (Judicial/Probation)
Mary Solorzano, Secretary/Treasurer
Scott Thomas, WCSDA
Scottie Wallace, WCEA

Also Present

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

Committee Members Absent

Stephanie Shuman, Vice-Chairman

1. Call to order and roll call

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

For the record, Chairman Craig stated that Stephanie Shuman, Vice-Chairman was absent.

2. Public comment

None

3. Approve February 10, 2016 and May 13, 2016 meeting minutes

Chairman Craig asked for a motion to approve the minutes from the February 10, 2016 meeting. Ashley Farmer stated that the February 10, 2016 meeting was cancelled due to lack of a quorum and there were no minutes to approve.

Chairman Craig called for a motion to approve the minutes from the May 13, 2016 meeting. Member Thomas moved, Member Wallace seconded; the motion passed unanimously.

4. Treasurer's Report reviewing the Deferred Compensation Administrative Fund (MarySolorzano)

Member Solorzano reviewed the Treasurer's Report and provided the following information: Professional Services Reimbursement Account has been added to the report to identify the switch to the Plan Expense Reimbursement Account (PERA) from the previous revenue sharing plan. Administrative fees totaling \$29,110.00 was received for calendar year 2015; the final revenue-sharing disbursement from MassMutual. Member Solorzano stated that she received good backup showing how that number had been developed. She stated that she was not receiving backup with the new checks for the PERA and she is having trouble relating the amounts received to the amounts we are paying to Bidart & Ross. Member Solorzano inquired if it would be possible to receive documentation with the PERA check that will indicate what is being reimbursed. She further explained that Washoe County received reimbursement checks for October through December of 2015 and January through March of 2016, but have not received any reimbursements since. Kristie Harmon stated that we recently received a check and that it had been deposited.

Member Solorzano went on to discuss the administrative expense detail and pointed out that expenses increased slightly over the previous year, but nothing worth noting. Member Solorzano referred to the administrative fees in Quarters 3 and 4 in 2016 and pointed out that she is having difficulty correlating the expenses to the reimbursements we are receiving. Mr. Fleiner explained that there is a fee that Bidart & Ross charges to the plan and MassMutual is basically rebating back the excess revenue to the Plan. Member Solorzano referred to an email that she used to receive detailing how the \$29,110.00 was calculated. Currently, she is receiving the check without the detail information. Mr. Gleason commented that he will look into providing backup documentation showing how the number was derived.

Chairman Craig asked about the investment expense listed on the report. Member Solorzano stated that this expense is associated with our plans share of the Washoe County pool. Currently there is \$52,000 held in the pool and we would get pro-rata share of the pooled expense. Chairman Craig referred to the revenue section and pointed out that there were investment earnings of \$919.74 in 2016 and \$542.88 in 2015. Member Solorzano explained these figures

are part of the investment pool. Member Solorzano will look into this further to confirm how this number is derived. She further explained that investment earnings will not only include the interest in dividends but the change in value.

5. Discussion and possible action regarding allowing other County entities to participate as a subset of Washoe County Deferred Compensation Plan. (Bob Gleason/Stephan Hollandsworth)

Stephen Hollandsworth opened the discussion by reporting that according to his findings it is unclear whether we can bring other entities on board; noting that nothing in the relevant statues that govern this body gives us the authority to do so. Further, the resolution would have to be amended to give the Deferred Compensation Committee the necessary authority. Chairman Craig stated that would not present a big obstacle. Stephan Hollandsworth further stated that Clark County is not bringing in other entities into their fund as was his original understanding. All of the funds are working through the same liaison; however, each entity has a separate fund and a separate plan document with one board providing oversight. Ashely Farmer explained that Clark County and the other entities went out to RFP together for a record keeping contract and all of the involved entities have separate plans and plan documents; however, they share the same investment lineup.

Mr. Gleason stated that MassMutual's Compliance Department researched the possibility of other entities joining Washoe County's Plan and it seems achievable. Basically, Washoe County could design the structure however it wanted; for example, each entity would operate under the same plan document with the same rules or each entity would share an investment arrangement but have their own plan document and plan. Washoe County could create whatever structure it was comfortable with and MassMutual would administer it either way.

Committee Member Wallace and Stephan Hollandsworth asked how it would benefit Washoe County to allow other entities to participate in Washoe County's Deferred Compensation Plan. It was pointed out that the separate entities would benefit from leveraged pricing, investment lineup and oversight; however, it could also be a benefit to Washoe County when it came to the RFP process to possibly leverage better pricing. Committee Members expressed concern about unknown fiduciary responsibility and overburdening administrative staff. Chairman Craig stated that the Committee would have to come to an agreement that there is a clear advantage to Washoe County and its participants to allow other entities to participate in Washoe County's Plan.

Chairman Craig suggested this item be tabled until more information was available. At that time, the item can be put back on the agenda for further discussion; Committee agreed.

6. Discussion and possible action regarding auto enrollment program which may include discussion and action on program implementation, strategies, and objectives, and future meetings with Washoe County labor associations to present and discuss the same. (Darrell Craig)

Chairman Craig opened the discussion asking Member Thomas if he had updated information to share from the Sheriff's Association regarding auto enrollment. Ashely Farmer stated that Member Wallace had also provided an article on auto enrollment for the Committee to review. A copy of the article was provided to committee members.

Member Thomas stated that labor negotiations have an issue on the topic of auto enrollment and the discussion is progressing well. Member Thomas explained that more detail could not be provided at this time and suggested that this topic be tabled until another meeting. Member Thomas indicated that more information would become available after negotiations have concluded. Chairman Craig asked if there was action that the committee could take to help move the discussion along. Member Thomas commented that the Committee has been very helpful and commended Ashley Farmer for her assistance and wanted to express his appreciation to David Watts-Vial as well for his time and effort. Chairman Craig recommended that the Committee Members read the article that was provided on auto enrollment as it contained a lot of useful information.

Chairman Craig asked the Committee if they wanted to leave this item on the agenda for the next meeting. Member Thomas requested that the item remain on the agenda for the next meeting; Member Wallace concurred.

7. Discussion and possible action regarding the 2016 National Retirement Security Week, October 16-22, 2016, including promotional materials and employee meetings with MassMutual representative, Tom Verducci. (Bob Gleason/Ashley Farmer)

Ashley Farmer opened the discussion stating that National Retirement Security Week is October 16-22, 2016. She has reached out to MassMutual's Communication and Marketing Specialist Caitlin Weisgerber to create informational

emails to send to employees. Staff will work with MassMutual's Representative Tom Verducci to schedule meetings for employees before, during and after National Retirement Security Week. Ashley Farmer further commented that NAGDA is providing a webinar later this month and she is planning to attend to see what other materials are available to promote employee engagement. Bob Gleason stated that MassMutual's informational materials are currently in development.

8. Quarterly review of MassMutual's account service objectives. (Bob Gleason)

Mr. Gleason briefly reviewed the 457 report along with the Washoe County Second Quarter Summary Sheet: Referring to the Summary Sheet, Mr. Gleason pointed out that enrollment figures were revised and are footnoted on the bottom of the report: Quarter 1 2016 457 Plan - revised new enrollments to 47 from the originally reported 26; Quarter 1 2016 401(a) - revised new enrollments to five from the originally reported two. Participants in the 457 Plan increased a net 53 participants from second quarter of 2015. Participants in the 401(a) Plan increased three participants from the second quarter of 2015. Assets for both plans are holding steady; no major changes. ROTH results show the number of participants increased from 166 to 187 from the second quarter of 2015 indicating a gain in popularity. Assets in the ROTH Plan went from \$1.3 million to \$1.6 million in the second quarter of 2016 representing a descent up tick.

Mr. Gleason reviewed the 457 report and pointed out total plan assets are \$133.6 million up approximately 2% from the previous quarter. Total outstanding loan balances are up 2% and participant contributions were down 22% a significant decrease from the first quarter of 2016. Mr. Gleason asked the Committee if they could provide insight in what could have contributed to the decrease in contributions for the second quarter. Committee members commented that an increase in retirements in the first quarter with employees increasing the contribution amount on their last paycheck could contribute to the increase. In addition, Mr. Fleiner commented that historically first quarter contributions tend to be higher and then level out. Mr. Gleason noted that investment income was up considerably in the second quarter in comparison to the first quarter. Average account balance per participant is approximately \$63,000; average number of investments utilized is 6.6 and the number of outstanding loans is up about 3%. The General Interest Account has about 46% of the assets. Mr. Gleason reviewed investments by age group: The under age 30 category has an average account balance just under \$5,000; age 60 and over category has an average account balance of \$103,000. The report also provided a demographic breakdown of participants: a total of 2122 participants 1600 of which are active, 6 beneficiary status, 373 retired, 121 terminated and 4 QDRO accounts. Chairman Craig commented that this is the first time we have been provided data on the number of retirees participating in the plan. Following a discussion, Mr. Gleason commented that he will look into where the number of retirees participating in the plan is being derived.

Chairman Craig commented that both the 401(a) and 457 reports are including more data than previously provided and asked how much of the information duplicates information provided by Mr. Fleiner. Mr. Fleiner commented that most of the record keeping reports have similar data as far as the investments are concerned minus the performance information. Bidart & Ross receives their information from MassMutual. Mr. Gleason commented that he could trim down the reports and look into combining the 401(a) and 457 reports. Chairman Craig stated that it would be beneficial if we could avoid duplication.

Mr. Gleason asked the Committee if they wanted him to review the 401(a) report stating that the two reports provide information in similar formats; Committee declined. Mr. Gleason pointed out a few remaining statistics on the 457 report highlighting the activities of Mr. Verducci. Mr. Gleason provided the following: Year to date data showed that Mr. Verducci had 38 onsite visits and 567 people attended group meetings. Mr. Verducci met with 323 unique individuals and of that number 267 individuals (83%) took some positive action on their account. MassMutual looks for a representative to have an action ratio of 50% and Mr. Verducci is currently at 83%.

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 report for the second quarter of 2016 (April 1 – June 30, 2016). Mr. Fleiner noted that we had a modestly better second quarter in comparison to the first quarter of 2016.

In reviewing the funds, Mr. Fleiner pointed out that currently we have four funds on the watch list: Hartford Capital Appreciation, Deutsche Real Asset, Hotchkis and Wiley and Hartford Cap Small Company. Due to short term significant

under performance, Hotchkis and Wiley and Hartford Cap Small Company funds are on the watch list. We will not take action at this time but will continue to watch these two funds. The two funds that are of real concern are the Deutsche Real Asset Fund and the Hartford Capital Appreciation Fund. Mr. Fleiner recommends removing from these two funds from the investment line up.

Mr. Fleiner reviewed the asset lineup and commented, at this time, there are no significant changes in asset allocation: The bulk of our assets are in domestic equities, non-US equities make up less than 5% of the total portfolio assets, traditional fixed income makes up about 5.2% of the assets and the Guaranteed Interest Account continues to be the real fixed income exposure for most of the participants. Mr. Fleiner reviewed the age based models and noted that we had a little drop off in the second quarter with 7 less participants compared to the first quarter. However, we have seen great growth in the models over time. Mr. Fleiner explained that MassMutual's new platform allows us to add more age based models and the automated glide path feature will allow the models to look and feel more like typical target date funds. Mr. Fleiner discussed 401 (a) assets in the age-based models: Currently, there are 16 participants in the 401(a) age based models; not nearly the number of users compared to the 457 plan. Overall, asset growth was up 2% year to date reflecting modest growth.

Mr. Fleiner reviewed the plan fee and expense summary: Total fees on the mutual side of the equation are 55 basis points and 12 of those points go back to MassMutual. MassMutual takes eight basis points and the remainder goes to Bidart & Ross. Chairman Craig commented that the expense account balance is \$52,000 and does not want the balance to go much lower. Mr. Fleiner commented that we still have revenue coming in and we can reevaluate at the end of the year to determine if we need to add a basis point. Chairman Craig went on to explain that for years we were advised to keep a balance sufficient to handle our expenses plus pay a consultant for an RFP which could be \$50,000 to \$100,000 dollars. The large reserve in the expense account is not nearly as critical as it used to be. In conclusion, Mr. Fleiner pointed out that the annual fee from Bidart & Ross is \$47,000 a year. The revenue excess is approximately \$42,000. Mr. Fleiner explained that what we need to do next year is establish what the balance in the expense account needs to be and come up with a basis point to cover that amount.

Mr. Fleiner went on to discuss possible replacements for the Hartford Capital Appreciation Fund. Committee Members reviewed the Large Cap Core Search report. In reviewing the report, Mr. Fleiner focused on two of the fund options that are similar to the Hartford Capital Appreciation Fund: The Hartford Core Equity and the Wells Fargo Disciplined US Core. Both Funds are large to mid-cap focused. Mr. Fleiner pointed out from a fund standpoint, both funds are very similar: The prices are basically the same; both funds are on the platform, both have excellent manager tenure and the rankings are similar. When reviewing the annualized numbers, the Hartford Core Equity and the Wells Fargo Disciplined Us Core both rank very well over the course of time. In addition, both of the funds have the best down market capture (capturing less of the down market than the Index) and capturing a full 100% of the up market. Mr. Fleiner commented that he prefers the Wells Fargo Disciplined US Core because it is sub-advised by Goldman Capital Management. He further stated that he is concerned about the Hartford Core Equity and the Wellington management team. Based on the information provided, Mr. Fleiner recommended Wells Fargo Disciplined US Core.

Chairman Craig called for a motion to follow Mr. Fleiner's recommendation to replace the Hartford Capital Appreciation Fund with Wells Fargo Disciplined Us Core. Member Solorzano moved, Member Wallace seconded; the motion passed unanimously.

Mr. Fleiner moved on to discuss the age base models: He referred to the handout provided at the last meeting which graphically illustrates the age based models in five year increments along with the equity exposure in the portfolio. The new MassMutual platform allows for more models and automatic glide path management. The course of action Mr. Fleiner recommends is to remove the Deutsche Real Asset Fund and allocate it among equity and fixed income funds and the addition of six age base models to the current lineup. To the participants it will be fairly seamless transition. Communication will be provided to the participants detailing the new additional target date models including an explanation of the automated feature.

Member Wallace moved to follow Mr. Fleiner's proposed changes to the age based models; Member Solorzano seconded; the motion passed unanimously.

Member Thomas asked what is the timeframe for completion of the proposed changes to the age based models. Mr. Fleiner commented that a minimum of 30 days is required to provide notice of the fund change. Further explaining

that at least 90 days is needed to get the models up and running and provide communication to participants. Mr. Gleason stated that notification has to be sent 30 days prior to launch and authorization forms need to be signed by Washoe County. Chairman Craig suggested that Mr. Verducci promote/inform employees of the upcoming changes to the age base models during his meetings in October.

Member Solorzano suggested a topic for a future newsletter article describing the high quality, institutional grade mutual funds that Washoe County is able to offer its employees. Stating this is sales point we haven't taken advantage of. Mr. Fleiner agreed that it is a timely conversation because the fall newsletter is coming up and we are always looking for ideas. He further mentioned that employees who participate in large employer plans benefit from the economies of scale and have access to tools, pricing, oversight and evaluation. Member Wallace suggested that mention be made in the newsletter that the deferred compensation committee is made up of fellow employees who have a vested interest in this program.

10. Comments by Committee or staff members

11. Public comment

None

12. Adjournment

Meeting adjourned at 3:53 p.m.