DEFERRED COMPENSATION PLAN MANAGEMENT BOARD

Minutes for the March 6, 2015 Regular Meeting
255 West Alameda, 5th Floor West Conference Room
Tucson, AZ 85701

Members Present:	Joe Barkenbush, Chair Dennis Woodrich, Elected Member Steve Postil, Elected Member Silvia Amparano, Finance Director Curry Hale, HR Director (departed 11:25 AM)
Staff Present:	David Deibel, Deputy City Attorney (departed 9:15 AM) Michael Hermanson, Plan Administrator Silvia Navarro, Treasury Administrator Allan Bentkowski, Treasury Finance Manager (departed 10:15 AM) Dawn Davis, Administrative Assistant
Guests Present:	Ken Wedemeyer, ICMA-RC Michelle Martin, ICMA-RC Mary Inorio, ICMA-RC Walid Refai, ICMA-RC
Absent, Excused:	None

A) Call to Order – Chairman Barkenbush called the meeting order at 9:01 AM.

B) Consent Agenda
   1. Approval of Board Meeting Minutes from December 5, 2014

Dennis Woodrich said on page 7 it said Steve Postil made a motion to set aside $65K to fund the $50 ICMA-RC enrollment incentive.

Michael Hermanson clarified that it was a combined motion with $50K for the administration and $15K for the enrollment incentive.

A motion to approve the consent agenda was made by Dennis Woodrich, 2nd by Steve Postil, and passed by a vote of 5 to 0.

H) Nationwide 401(a) Plan Information, Operational Issues (This item was taken out of order.)

Steve Postil expressed concern over Nationwide Financial recruiting in Tucson Police and Fire stations during working hours when they are not a City approved vendor. He suggested the Board ask the City Manager or the City Attorney to send a letter to Nationwide advising they needed to stop recruiting city employees on city property during working hours.

Dave Deibel advised that Nationwide does have a contract with the labor union representing Tucson Fire personnel and Nationwide would have the same type of access to city facilities as ICMA-RC.

Silvia Amparano said historically Nationwide was supposed to utilize the union hall not city facilities and that has changed over time even though Nationwide's contract is with the union not the City.

Michael Hermanson said if this was not controlled more financial advisors could start presenting on city properties during working hours. He used the example of Galloway Asset Management catering lunches for Tucson Fire Department public safety personnel, within city facilities, in order to encourage them to use the Galloway's managed account services through the Nationwide portal. The major concern here is, participants may think the Nationwide program has the same City oversight this Board has over the ICMA RC program. Quite the contrary, the Nationwide program was contracted by the IAFF and is wholly administered by the IAFF Union, so there is no City oversight on that program and certainly none with Galloway.

Dave stated if the Board feels unauthorized money management vendors are soliciting on city property, they need to compose a memo to the City Manager's office expressing their concerns. If the City Manager's Office believes the issues warrant further action, they can provide further guidance on any actions to be taken.

A motion requesting staff to draft a memo from the Board to the City Manager's Office stating concerns over unauthorized vendors soliciting city employees on city property during working hours was made by Steve Postil, 2nd by Curry Hale, and passed by a vote of 5 to 0.

C) Annual Economic Review – Walid Refai, ICMA Retirement Corporation

Walid Refai summarized the economic and market events that took place during the previous year to help frame the Board's discussion of fund performance in the fund line-up. The Chinese economy has been growing at a significant pace over the last couple decades, but the growth rate has declined from 7.7% in 2013 to 7.4% in 2014 and China has announced their growth target for 2015 of 7%. The projection for the US is over 3%, but for the past 5 or 6 years, the projection was the same and they have always fallen short. The Eurozone has not been doing well but growth is projected for 2015 assisted by valuations in currency, this morning the Euro was trading at 1.08.

There has not been any consistency in the US GDP since 2011.

Some economists project the 1st quarter of 2015 will be impacted by the weather on the east coast and the ports shut down on the west coast. The Fed has two mandates, maximum employment and price (inflation) stability. The unemployment rate has been declining, and is now around 5.5%. The Fed's target is 2% inflation; the price report came out about a week ago and shows the inflation index for all items less food and energy has increased 0.2% in March. Most of the decline is related to energy so the Fed does not know if they will raise interest rates. In 2013 High Yield Bonds did very well while other fixed income instruments experienced negative returns, and 2014 was the exact opposite. Large cap stocks returned almost 14% in 2014, experiencing positive gains for the 6th consecutive year which is interesting because many investors were very cautious at the beginning of the year, especially value managers. Small cap equities were up over 40% in 2013 but lagged behind large caps by a significant margin in 2014. International equities have been affected negatively by the strength of the dollar in both developed and emerging markets. In the 4th quarter of 2014, Corporate High Yield and US TIPS were negative. Oil companies represent about 15% of the benchmark and as oil prices declined investors shied away from corporate high yield resulting in a negative return. The declining oil prices also affected inflation expectations resulting in a negative impact on US TIPS. Looking at US Corporate Bonds by credit quality rating, Investment Grade in aggregate returned 7.5%,

High Yield Bonds in aggregate returned 2.5%; BB rated bonds returned 5.3%; B bonds 1.3%; and CCC or below returned -2.6%. Reviewing global 10 year yields, the US Treasuries returned 2.2%, at the beginning of the year interest rates were at 3% with expectations that they would increase but they actually decreased. Compared to other developed regions, an interest rate of 2.2% is considered quite high. Looking at the S&P 500 Index, the highest performing sector was utilities, up nearly 30% last year, followed by healthcare, up 25%, and technology up about 20%. The traditional focus for growth managers such as consumer discretionary, financials, or technology did not do as well. Last year sector results were mixed and around 80% of active managers, regardless of market cap or style, led the benchmark. Since December 31, 2008 the S&P 500 Index is up 204% as of December 31, 2014.

Walid talked a little about the 4 levels of VT Plus Funds and the diversification within those levels. The Total Return fund has 10 investment managers managing portions of the fund, 7 insurance companies also managing portions of the fund, and 6 wrap providers. The market-to-book ratio was up 101.45% which is a healthy figure for the quality. The fund has ranked as the number one fund in the Hueler stable value universe for the last 10 years.

Allan Bentkowski asked for clarification on the function of the wrap providers.

Walid answered the money management firms invest in bonds that have fluctuations on a daily basis, the wrap provider allows participants to make transactions at book value, taking the volatility out of the daily transactions. The plan participant comes in, buys and sells at the stable value, and the market-to-book ratio is related to that. In 2008 during the financial stress the value of the portfolio itself was less than what the wrap provider has wrapped it at. Now the wrap providers are insuring 100% while the value of the portfolio is 101%.

D) Investment Performance Review for the City of Tucson Fund Line-up

1. General Review of Plan Investments Report for the period ending December 31, 2014
    a. Scorecard Metrics (pages 8-13)
    b. Watch List Report
    c. Plan Analytics
    d. Participant Positions in Fund Line-up

2. Review of Funds considered for replacement / potential replacements
    a. VP Equity Income Investor / alternatives
    b. T. Rowe Price Small-Cap Value / alternatives
    c. RS Global Natural Resources / alternatives
    d. Oppenheimer International Bond Fund / alternatives
    e. Other Funds for discussion

3. Board Consideration of Funds to be taken off the investment line-up, and replacement
4. Timeline for Replacement

Ken Wedemeyer said the PIMCO Low Duration was in the 73rd percentile and the PIMCO Total Return was in the 71st at the end of 2014; the qualitative issue is caused by the low management tenures of 0.26 years. The one year numbers were affected but it has not begun to affect the 3 and 5 year numbers, which were well within the Investment Policy Statement (IPS). They have only had problems for 2 quarters. He recommended the Board continue to watch these funds without taking any action at this time.

Michael Hermanson asked if this was related to the exit of Bill Gross from PIMCO last year. Walid Refai answered Bill Gross was the main portfolio manager on both of the funds and he was the head of the investment committee. He also clarified that the exit of Bill Gross did not affect the PIMCO Real Return fund.

Ken said that Vanguard 500 Index has been behind the benchmark since they added it at the request of employees. The PIMCO High Yield Institutional has risen to the 13th percentile and for the first time in 4 quarters it has met all the IPS hurdles. Oppenheimer International Bond is not as far off of the peer median as before, but the trend over the last 5 quarters, has missed the IPS. VP Equity Income is missing all of the thresholds across the IPS, for the 4th quarter, even though the management tenure is good. JP Morgan US Equity R6 is doing extremely well and the Vanguard 500 Index is also doing well. The Fidelity Contrafund has fallen behind the peer median, though it always seems to come back and from a trend perspective there was only one quarter, out of the previous 5, that it missed the peer median. The T. Rowe Price Growth Stock is just below the peer median, but only for the last 3 quarters, so only the 1 year number has been affected.

Walid explained the manager who was responsible for the strong performance of the T. Rowe Price Growth Stock retired in January 2014. The new portfolio manager took over in January 2014 which is about when the performance dropped. He said performance has improved so far in the current quarter. The new portfolio manager is more conservative and makes more measured decisions than the old manager.

Ken suggested the Board place T. Rowe Price Growth Stock on the watch list because of the drop in performance and the management tenure. The Board decided to wait another quarter before adding it to the watchlist to see if the new management style will continue to have a positive impact.

Ken said the Goldman Sachs Mid Value A has made the IPS on all levels in the last 2 quarters. The Vanguard Mid Cap Index and Munder Mid-Cap Core growth have both done well. The Times Square Mid Cap Growth is in the 68th percentile though the three year rank and management tenure both look good.

Walid explained their focus was on strong management. They have acknowledged making a few mistakes in oil and real estate. Their performance has been much stronger YTD, though it has been such a short period of time.

Ken said Victory Small Company Opp. is in the 14th percentile for 1 year and the 65th percentile in the 3 year ranking. He said he would be more concerned if the 1 year number was in the bottom of the 2nd quartile. There was a management change on the T. Rowe Price Small-Cap Value and it is in the 86th percentile.

Walid said it was managed by Preston Athey for over 20 years; he was responsible for the long term track record. An associate portfolio manager took over as of July 1, 2014. The fund holds over 300 securities and Athey's philosophy was to buy a lot of promising securities and to maintain very low turnover. The decline in the last few years has dented the long term track record. The decline in performance started before Athey's retirement and so the new manager is not responsible. In some ways the management was passive due to the low turnover but at the same time an index cannot be made to replicate the performance.

Ken said the Oppenheimer Discovery ranking is 83 for 1 year, the 3 and 5 year numbers are good, and it is similar for the Oppenheimer International Growth, a 1 year of 86 and good 3 and 5 year numbers. The American Funds Cap World Fund were performing better against the peer median in the short term and that has begun to affect the 3 year number and he suspected that soon it would affect the 5 year number in a positive way. Then he discussed RS Global Natural Resources. He said it was not improving against peers and had been on the watch list for 5 quarters in a row. He said the Board needed to decide if they wanted a natural resources option at all, and if so did they want to look at alternatives.

Dennis Woodrich said the RS Global Natural Resources fund had 45 participants.

Chairman Barkenbush said the Oppenheimer International Bond has, on a 5 year basis, outperformed the index and the Morningstar category average, and since 2012 its peers have been declining at a higher rate than it has.

Walid briefly went over the replacement plans requested by the Board for consideration. The chief investment officer of the Oppenheimer International Bond A became the CEO of Oppenheimer, and last year the fund was hurt by exposure to currencies because they do not hedge. Goldman Sachs Global Income actively manages currency exposure. Templeton Global bond also hedges currency, has been avoiding investing in developed markets, and has heavy exposure in emerging markets. Legg Mason has done well but they manage outside of the benchmark because they feel the weighting of the benchmark is riskier. The Expense ratios show the alternatives are less expensive than the Oppenheimer fund and even if Goldman Sachs and Templeton do not extend their waivers they will still be less expensive. Templeton was in the 1st percentile over 10 years. Legg Mason and Templeton are extremely volatile while Goldman Sachs is the least volatile. Goldman Sachs has the highest Sharpe Ratio. Looking at the annual returns shows that all of the funds had at least one bad year. Templeton, compared to the other 2, would have a much heavier exposure in emerging markets. Goldman Sachs is much more conservatively managed and they also take currency positions but are more balanced than the other 2. Legg Mason has been skillful but they take positions on interest rates.

Dennis Woodrich advised there were 192 participants in the Oppenheimer International Bond A.

Walid advised that as of February 28, 2015 Oppenheimer International Bond A was in the 35th percentile and YTD it was in the 26th percentile. He suggested the Board go to Goldman Sachs or Legg Mason, and that Goldman Sachs would be closer to the positions of Oppenheimer. He advised that the net expense ratio of 0.70, for Goldman Sachs, was applicable until July 2015 when the Board of Directors will have to decide whether to extend it, change it, or just let it expire.

A motion to delist the Oppenheimer International Bond Fund was made by Steve Postil, 2nd by Dennis Woodrich, and passed by a vote of 5 to 0. Following that, **a motion to replace the Oppenheimer**

International Bond Fund with Goldman Sachs Global Income Institutional was made by Dennis Woodrich, 2nd by Curry Hale, and passed by a vote of 5 to 0.

Walid gave a brief history of the Vantagepoint (VP) Equity Income fund. The fund has more than 700 stocks right now because of their equal weight strategy. There are a couple things that work against this fund; first the market has been up for 6 years, the fund had more than 6% in cash, and it had unfavorable exposure to consumer discretionary and energy. The alternatives to the VP fund are Dodge & Cox Stock, Invesco Diversified Dividend R5, and JPMorgan Equity Income R5. They could all be considered core equity; they are really focused on large cap stocks within the large value style. Invesco Diversified has a smaller focus within the large cap universe, a dividend focus, and use cash as a defensive mechanism so the portfolio manager may use up to 10% in cash. All three managers will have fewer than 100 securities as opposed to VP. Over a 3 year period Dodge & Cox has the strongest performance and over 5 and 10 year periods JPMorgan has the strongest performance. All 3 of the alternative funds have favorable expense ratios; Dodge & Cox is the least expensive and has the lowest turnover; so the fund will hold securities for very long periods of time. This is important because if that style goes out of favor, as it did in 2008, the fund will not perform well for a long period of time until that style comes back into favor. Dodge & Cox has 33% of all their assets in the top 10, Invesco Diversified has 21%, and JPMorgan has 24%. Dodge & Cox has 69 holdings, Invesco Diversified has 84, and JPMorgan has 95. Invesco Diversified is the least volatile over a 3 year period, over a 5 year period it was Dodge & Cox. JPMorgan has the highest Sharpe Ratios over the 5 and 10 year periods. Invesco Diversified and JPMorgan both tend to perform well in down years.

A motion to delist VP Equity Income was made by Steve Postil, 2nd by Curry Hale. Dennis Woodrich pointed out that there were a lot of participants with about $9.3M invested in VP Equity Income. **The motion passed by a vote of 5 to 0.**

Steve Postil stated that he liked JPMorgan because they have the best numbers for 1, 5, and 10 year periods; they also have the lowest expense ratio.

Ken suggested the Board may want to vote on the best available share if they want JPMorgan, if it has no revenue they should check on how it would affect the budget and the revenue that would come back to the participants. It could be as much as $18K that would drop.

Michael advised that they would still be generating around $140-180K. Ken said it could be up to $34K less but there is plenty, so he would suggest the Board consider JPMorgan Equity Income R5.

Dennis said if people invested in it individually they would make more revenue to make up for the lower rebate.

A motion to replace VP Equity Income with JPMorgan Equity Income – R5 class was made by Steve Postil, 2nd by Curry Hale. Silvia Amparano asked what the difference was between the R5 and the R6 that the Board already has listed. Walid answered that the R5 was large value and the R6 was a blend. **The motion passed by a vote of 5 to 0.**

Ken advised that the T. Rowe Price Small-Cap Value Advantage had missed the IPS for the 3rd quarter in a row and it is only getting worse.

Walid said the alternatives were JPMorgan Small Cap Core Select, Northern Small Cap Core, and VT Vantagepoint Discovery R9. All of them have a large number of holdings. Northern has the most at about 1,500 holdings, JPMorgan has about 400. JPMorgan has the more favorable performance and ranking. They use a quantitative method and apply many different metrics including a behavioral aspect. As long as the model works well the fund continues to do well. The managers do all the research and screening and execute trades based on that. Northern has low turnover on their holdings, and are different from the index. Their 1,500 holdings are typically different from those held by the index. The risk of any one particular security in both JPMorgan and Northern is minimal. VantagePoint Discovery utilizes a combination of active management and a sub advisor who will buy a Russell 2000 future to gain exposure to the index and invest the proceeds in a fixed income portfolio to enhance the index performance. All three alternatives are less expensive than the T. Rowe Price fund. The JPMorgan fund is ranked 4th in the peer group, Northern and Discovery are in the top half of the peer group. The last Morningstar monthly rating for T. Rowe Price was 2 stars. In terms of the Sharpe Ratio, T. Rowe Price was actually less volatile than the alternatives. JPMorgan and Northern, over a 5 year period, had more favorable Sharpe Ratios than Vantagepoint. JP Morgan had a strong ranking in 2012 but they did not do as well as Northern in 2011, a down year. Vantage point had a new active manager in 2011. Looking at total performance over a 5 year period the average investor would have realized 17.89% in JPMorgan, 16.22% with Northern, and 15.14% with Vantagepoint vs. the 13.98% they realized with T. Rowe Price.

Dennis said that there were 466 participants who invested $3.1M with T. Rowe Price. Chairman Barkenbush asked if there was a revenue consideration there. Ken answered there was not and that even the Vantagepoint Discovery R9 would have a 5 basis point revenue retirement.

Steve asked what the reason was for the poor performance of T. Rowe Price in the last year. Walid answered that it was the stock selection and the previous manager made very few changes, his turnover was only 11%. The new portfolio manager's turnover is a little higher.

Mary Inorio asked if they thought the T. Rowe Price Small-Cap Value was more of a deep discount value than the alternatives and would that be attributable to their performance since they were all being compared to the Morningstar Small Blend. Walid answered in terms of mapping, they have been small blend. A long time ago they used to be in the small cap value blend, but it is a difficult style box because the stock is from a company that is going to go out of business or the stock will experience some growth and will have to be sold. He said that any one of the other three options presented would provide equivalent mapping.

A motion to delist T. Rowe Price Small-Cap Value Advantage and replace it with JPMorgan Small Cap Core Select was made by Silvia Amparano, 2nd by Steve Postil, and passed by a vote of 5 to 0.

Ken Wedemeyer said, we have now looked at all of the watch list funds, except for the RS Global Natural Resources. Conceptually, does the Board want to keep a sector fund in Natural Resources; and if so, there were alternatives to be presented. The first question asks whether the Board want to keep this fund in the line-up, because utilization is low; and when it was added a couple of years ago participants were looking at gold because they were not seeing returns in other places. From the Board's perspective utilization has been low and RS Global has been performing badly compared to peers.

Chairman Barkenbush said when there were inquiries they were about metals; the funds have very small allocations in metals. The natural resources category is the most risky category and can drag down the whole portfolio. Ken said most of the natural resource portfolios were in commodities and most people did not want commodities when investing for retirement and it had only been added after requests from participants.

Michael Hermanson followed up on the idea of dropping the category, he said there were 45 people with $181K invested with RS Global and asked where the Board would map it, if it were delisted. Ken suggested moving the funds to the age appropriate milestone fund for each of those participants. There is a brokerage window now and investors can access natural resources through that brokerage window if they wanted to do so. There is nothing in the lineup that would map cleanly from that sector fund.

Silvia Amparano asked if current contributions were being made to RS Global. Steve answered yes, $10K in the last quarter.

Mary explained that at the time RS Global was added it was because people were asking for that particular sector when the markets were down and gold was going up. Ken explained at that point in time they did not have a brokerage window. If participants still wanted to invest in natural resources they could do so by utilizing the brokerage window and that would take the fiduciary responsibility off of the Board in dealing with that a natural resources sector fund.

Chairman Barkenbush asked if participants had to have a minimum balance to utilize the brokerage window.

Ken stated, in his personal opinion, someone who does not have the minimum threshold for brokerage should not be investing in commodities as a part of their retirement plan.

A motion to delist RS Global Natural Resources was made by Steve Postil, 2nd by Dennis Woodrich.

Silvia Amparano requested information on the alternative funds before voting because she was not a member of the Board when participants were requesting natural resources.

Chairman Barkenbush said participants were requesting a natural resources fund when gold prices were rising and interest waned when those prices stabilized. He also said he did not know if participants were still contributing. Ken explained there was an initial move of funds into RS Global over the first 2 quarters and it has plateaued since then. Michael stated the original idea was about creating a commodity fund for inflation protection, and had some exposure to gold in it - it was not strictly gold because that type of fund was unavailable.

Chairman Barkenbush said the Vanguard Materials Index has a metals allocation of less than 1%, the majority of the portfolio is allocated in materials. Walid said RS Global Natural Resources has about 30 holdings in the fund, with 50% of the holdings non-US. They prefer low cost producers and have a low turnover mentality. The idea is that if they hold low cost producers over a long period of time they will survive any competition. Allianz Global Natural Resources has about 70 holdings, 35% of which are non-US. They are diversified into agriculture, energy, and industrials. Fidelity Advisor Materials and Vanguard are both US focused. Fidelity has around 38 holdings and Vanguard will have close to 100 and they will be focused on raw material processors. In terms of expenses Vanguard is the least expensive, their rankings are in the top percentiles, and they realize positive returns when none of their competition does.

Michael said it was a small allocation and Vanguard was a better choice than RS Global if the Board was going to continue to offer a fund in the natural resources sector. **The motion passed by a vote of 5 to 0.**

A motion to not replace RS Global Natural Resources and allocate their current funds to age appropriate milestone funds was made by Silvia Amparano, 2nd by Dennis Woodrich, and passed by a vote of 5 to 0.

Chairman Barkenbush asked if the participants contributing to RS Global should be notified they can continue to invest in natural resources by utilizing the brokerage window. Ken answered that it was not required but they could send out a written notification advising the participants they had 30 days to make any changes, and Mary could reach out to them since there was such a small number of participants.

Chairman Barkenbush asked when these changes would be implemented. Ken answered 90 days with a notification letter going out at least 30 days prior. Once the communications were ready he would send them to Michael Hermanson for review by the Board. He also talked about the asset allocation funds. Some of them were right up the median while others continued to struggle and are in the 4th quartile.

Ken briefly went over the plan analytics. At the end of the quarter there was $240.5M in the 457 plan, $5.3M in the 401 and about $0.5M in the IRAs. If that is broken down in terms of the asset classes, it shows the Stable Value fund at 44% slightly lower than the 49% it was at 2 years ago. This is partly due to market growth. Looking at the plan level returns, it was 4.6% even though 50% is in Stable Value. The stable value across all plans went down and this was a reflection of market value changes. There are 2,191 participants over the age of 50 who hold $186M of the total $243M in the Plans. 52.9% of this group is invested in Stable Value and they still did 4.3% for the year, so even though they had a much higher asset allocation to Stable Value they were close to the whole plan.

Steve commented on the fact that the older age groups seem to have more asset allocation to U.S. Stocks.

Ken answered that he believed some estate planning was involved for many participants. There were two large rollouts in October, all the rest were small. Distribution was consistent with what was expected.

E) Educational Programming Report
   1. Number of presentations and attendance during current plan year

Ken Wedemeyer said ICMA-RC had focused on getting as many people to enroll as possible based on the $50 new enrollment incentive offered at this program. They looked for ways to reach people and explain to them that the 457 plan was there, why it was there, and why they should continue to reach out to ICMA-RC vs. talking to someone in a retail setting. In 2014 ICMA-RC provided City of Tucson employees with 152 consultation days and 80 seminars, at which there were 760 attendees. ICMA-RC advisors completed 479 financial transactions and 15 financial plans. The topics of the on-site seminars and CFP meetings included Roth Roadmap, Tax-Free or Tax-Advantaged Retirement?, DROP, Retirement Income Advantage/Vantage Broker, Retiree Guide, Social Security Planning, Estate Planning, Financial Planning Wellness, Retirement Savings Drawdown, Spend Smart, College Smarts, and Financial Planning Tools Webinar. Education events included an ice-cream social and National Save for Retirement Week. In 2014 there were 177 enrollments in the 457, 8 in the Roth IRA, and there was $6.8M in rollins.

Mary Inorio explained methods for distributing various ICMA-RC educational materials. She said some forms were distributed via emails and she made various forms and handouts available to attendees at seminars, open office hours, and new employee orientations. Post cards were mailed to every City of Tucson employee not already enrolled in deferred compensation. The post card advertised the $50 incentive. They did email campaigns every quarter, usually on enrollment or some kind of enrollment event, which included a video about what a 457 is.

Ken asked for some of the ideas Board members had for moving forward. At the December 6, 2014 meeting the Board had asked for an automatic enrollment form with a default of $20 per pay period contributed to deferred compensation in the form of an age appropriate milestone fund. ICMA-RC's compliance department is still going over the form and they should have one to show the Board at the June 6, 2015 meeting. He said the compliance department is being diligent with the form because this Board was not the only group to request it. He said National Save for Retirement Week events, with varying levels of funding, have had varying results in attendance and enrollment. He asked what the Board wanted to do this year regarding funding and ideas.

Michael Hermanson answered success is usually a function of the level of promotion and that various themes have been used in the past, some of which worked. During the National Save for Retirement week, Retirement office staff does not tend to get more than 100 to 150 participants coming over a 3 to 4 day period, so it is a lot of work for staff for little result, however, it the most successful. He suggested a message from the Mayor or City Manager's Office encouraging supervision and management to allow employees to attend these events.

Ken said 2 years ago ICMA-RC had their event alongside the health initiative. It was well attended but everyone was there for their flu shot and it was not as successful as the previous year because there was not enough space. If they could partner with the health initiative it would be good but there has to be a way to communicate that financial health is important as well.

Chairman Barkenbush asked if they wanted to focus on the non-participants. Mary answered maybe they could do something to encourage non-participants to attend.

Curry Hale explained that the Human Resources department realized, with the healthcare assessment, that timing is important. He said when they moved it to January, February, and March attendance was terrible. He believed this was because city employees become too busy as the end of the fiscal year approaches, and because people do not want to be weighed so soon after the holidays. He said they also implemented required appointments instead of allowing walk-ins as they had in the past and this also had a negative impact on attendance. He said they had found that October and November seemed to be the best time for employees to break away from work for a few minutes to attend these events.

Ken suggested what they have seen in Orlando and Ft. Collins where they kick off what they call a financial wellness curriculum. Participants carry a passport and get a stamp for each seminar they attend and they get wellness points for each stamp. He volunteered to speak to the wellness committee and perhaps launch it this year.

Curry said people respond well to free rewards and gave the example of all participants receiving a gift card for completing a healthcare assessment in 2014, and the negative response received when a raffle replaced the gift cards in 2015. He said free Eegee's or pizza is enough but a free reward for every participant will increase attendance.

Chairman Barkenbush asked if there were any avenues outside of CTRA to reach the 50+ group. Mary said they sent out an email to all of the 50+ participants and retirees advertising a certified financial planner (CFP) seminar on social security and the room filled to capacity. It was so successful that in a couple of weeks they are doing another one. She said they had also been sending emails to the 50+ participants containing a video of a seminar with a CFP covering a topic relevant to the group.

Curry asked if attendees consisted of more or fewer public safety employees. Mary answered the social security seminar had almost no public safety employees in attendance because they do not contribute to social security. She said she was catering a seminar to Police and Fire employees because so many are expected to retire.

Curry explained that many labor and trade employees with the City of Tucson like transportation, general services, and environmental services do not have access to a computer or GroupWise. Mary said ICMA-RC has a personal email address for employees who are enrolled. So ICMA-RC can reach employees without GroupWise as long as they provide a personal email address when they enroll

Ken explained they were looking for ways to target the group of participants 50+ years of age, because 52% of their funds are in the Plus Fund, on what they should be doing after retirement and the importance of better asset allocation at that stage in their life. At 52% if any of them retire early that asset allocation will cause them to struggle over the following 30 years. One of the goals of ICMA-RC was to target the 50+ age group with more asset allocation messaging. The purpose of the educational programing report presented today was for the Board to see what has been done and when they do it again at the end of the year the Board can tell ICMA-RC what they wanted to be done in 2016.

Curry said they want to go in the direction of what works, with numbers showing that it was what worked.

Ken said their small ice-cream social for TPD was successful, so maybe they should put together smaller events in more locations.

F) New Enrollments receiving a $50 incentive
   1. Participation for Calendar Year 2014, 2015

Michael Hermanson reported there were 177 enrollments that received the $50 incentive, or about 59% of the total (300) budgeted for that incentive. YTD they had 27 new enrollments which is consistent with the trend.

G) Case Study, Removing Model Portfolio Funds from Line-Up and Educating Participants

Ken Wedemeyer asked if the Board would like to keep the model portfolio funds because there are a good amount of assets, and said if the Board wanted to take them out due to performance there were 2 things to do; they could map them to the milestone fund (best practice) because they are different from anything else, or consider alternative families of funds that the Board could look at on June 5, 2015 and map them to a like type of risk oriented fund. He said it's a bit early to make a formal decision at this time.

Michael Hermanson asked if ICMA RC could have provide analysis on the model portfolio's; who is electing to start up with the model funds as opposed to milestone funds. He said milestone funds were the new era of funds that are automatically adjusted on a glide path between current age the target retirement year. For example, if a person is in an age 55 milestone, at age 40 there will be fewer allocations to equity and more allocations to fixed income funds during the next 15 years. Before milestone funds, the model portfolio funds existed to provide participants with an automatically adjusting allocation to equities, so this might be a decision point. He asked if the Board would like to pursue more data before discussing the case study next quarter.

The Board answered yes they would like to see more data before discussing the options.

Ken asked if they wanted to see alternatives to the model portfolio funds.

Silvia Amparano answered ICMA-RC should have alternatives available, and requested information on the attributes of the current participants in the model portfolio funds that could be used by the Board in deciding on whether to replace the model portfolio funds or just delist them.

Ken said they could look into the median ages in those groups.

Michael requested information on migration into and out of the model portfolio funds, and the selection of the new enrollments.

Mary Inorio explained that based on her experience with enrollments at new employee orientations more of the newer people are signing up for the milestone funds vs. the portfolios. Portfolios are generally chosen by participants who have given some thought to their asset allocation and risk tolerance.

Ken said looking at the target date funds there are 12 of them, but participants should not be in more than 1. People can invest in more than one model fund.

Chairman Barkenbush asked if they could take 2 balanced funds and replace all the model portfolios.

Ken answered yes.

Walid explained that for the most part they would fall into the same types of categories. On model portfolios the manager will have some leeway and participants will not know how much they have in equities, so the portfolio manager would have more discretion.

Chairman Barkenbush explained the idea was to get the diversification between equity and fixed income.

Ken advised they would do this as soon as administratively possible because he believed it would be too much for participants to take in on top of all the other changes that were made by the Board at this meeting. They would talk about what to do with the model funds at the meeting scheduled for June ~~6~~ 5, 2015. These changes would require separate education and this would give Mary time to prepare for that.

H) Nationwide 401(a) Plan Information, Operational Issues

This item was taken out of order and considered after item B.

I) Status of Request to automate member deferral elections, % of pay election

Michael Hermanson advised this item was still in progress and there is no projected timeline for completion at this point. ICMA-RC was still working on the form to use.

J) Call to Audience – None heard.

K) Adjournment

A motion to adjourn the meeting was made by Steve Postil, 2nd by Silvia Amparano, and passed by a vote of 4 to 0 (Curry Hale absent).

The meeting adjourned at 11:31.

Approved:

Joe Barkenbush	6-5-2015	Michael Hermanson	06-05-15
Joe Barkenbush Chairman of the Board	Date	Michael Hermanson Plan Administrator	Date