DEFERRED COMPENSATION PLAN MANAGEMENT BOARD

Minutes for the June 5, 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 (arrived 9:12 am) Curry Hale, HR Director
Staff Present:	Silvia Navarro, Treasury Administrator (arrived 9:03 am) Michael Hermanson, Plan Administrator Allan Bentkowski, Treasury Finance Manager Dawn Davis, Administrative Assistant
Guests Present:	Ken Wedemeyer, ICMA-RC Gary Helm, ICMA-RC Mary Inorio, ICMA-RC
Absent, Excused:	None

A) Call to Order – Chairman Barkenbush called the meeting to order at 9:00 AM.

B) Consent Agenda
   1. Approval of Board Meeting Minutes from March 6, 2015

A motion to approve the Consent Agenda was made by Steve Postil, 2nd by Dennis Woodrich, and passed by a vote of 4 – 0 (Silvia Amparano absent).

Steve Postil advised that the meeting date referenced in the last paragraph of item G should be June 5, 2015, not June 6, 2015.

C) Investment Performance Review for the City of Tucson Fund Line-up
   1. Plan Investment Report for the period ending March 31, 2015
      a. Scorecard Metrics (pages 8-13)
      b. Watch List Report

Ken Wedemeyer began by going over the watch list report because there were fund changes in May. On March 6, 2015, and ratified on April 1, 2015, the Board voted to opt out of the T. Rowe Price Small-Cap Value fund and replace it with JPMorgan Small Cap Core Select but the change was not made. The options to remedy this oversight were to make the transfer quickly, without mailing out a 30 day notice, or to wait and send out a 30 day notice as ICMA normally would when making a change like this. The Board said it would be fine to wait for the notice and Mr. Wedemeyer advised they would try to place it in the July queue but the deadline was very close and if that deadline could not be met it would go into the August queue. Regardless of which queue the transaction is placed in they will perform a calculation for all of the participants in that fund to determine the difference between the transaction date and the date in May the transaction was supposed to occur so that the start date will still be in May. This was the first time he had seen this happen, they moved to a more automated process, this transaction was missed, and they were considering returning to their old process. All the other funds the Board voted to opt out of were removed in May.

Mr. Wedemeyer said they now had the ability to include share classes in the plan investment report so the share classes for the institutional shares the Board is in will show not applicable (N/A).

Michael Hermanson asked if that was the new R9, the lowest class available.

Mr. Wedemeyer answered yes.

Mr. Hermanson advised the Board they had a copy of an article on recent lawsuits in the 401K world discussing making sure plan sponsors were using lowest cost share classes. That has been the Board's posture for at least 2 years.

Mr. Wedermeyer said that was why the N/A was visible in the plan investment report, and he was not sure how to handle the watch list report because the N/A will be on the list for a long period of time. They will not have a 3 year number until the end of 2015 for those shares and the 5 year number is even further out. He said he could tell the Board if any of them are not meeting the investment policy statement because there will be an N/A showing for the next couple of quarters. He had the numbers if the Board members would like to write them down but he could not officially put them in the investment report or on the watch list report because they were not quarter end numbers that he could report.

Mr. Hermanson suggested they go through the watch list and give those numbers as they get to those items.

Mr. Wedermeyer said it was an interesting quarter. The PIMCO Low Duration fund has vastly improved compared to peers. It has been on the watch list for 3 quarters, however its 1 year has improved to the point that it has pushed the 3 and 5 year numbers up considerably. It and the PIMCO Total Return are only on the watch list for the 1 year on the low duration and the fact that there was a fund manager change last year. He thought they were both moving in the right direction and the funds seem to be doing rather well. Given the changes in the bond market over the last 2 weeks he anticipated the Total Return fund will do well compared to peers.

The Vanguard Total Bond Market, and index, has vastly improved but it is still lagging on the 3 and 5. The PIMCO High Yield Institutional was off. Oppenheimer International Bond was replaced with Goldman Sachs, and if he could report the end of quarter numbers on Goldman Sachs the 1 year was the 12th percentile, 3 year was 17th, and the 5 was 31st percentile so it is doing well. VP Equity was replaced with JP Morgan US Equity R6 and those numbers are all in the 2nd quartile. The 1 year at 68th is the actual share class and if you look at the underlying fund that was mirrored the 3 year was in the 74th percentile, and the 5 year was in the 64th percentile. The presumption is that if you can interpolate that out it would still be in the 3rd quartile through years 3 and 5.

The T. Rowe Price Growth Stock is performing well; it is only on the watch list because the manager has only been there for a little over a year. Times Square Mid Cap Growth has fallen for only the 2nd time which only affects the 1 year number. ICMA does not have any concerns as Times Square is sticking with their discipline on the fund. Victory Small Cap is only on the watch list for the 3 year number. There are no concerns about the management of the fund at this time.

The T. Rowe Price Small-Cap will be replaced by the JPMorgan Small Cap Core Select. Unless told otherwise ICMA will mail out the 30 day notifications as soon as possible and move the funds as soon as administratively possible. The 1 year difference between the T. Rowe Price Small-Cap and the JPMorgan Small Cap is around 8%, across all of the positions it is about 1.2% of the assets, around $2.9M. All numbers being the same it could be about $8K spread across all those contributing to the T. Rowe Price Small-Cap fund. Oppenheimer Discovery is on the watch list for their 1 year number in the 56th percentile. Their 3 and 5 year rankings are fine and there are no concerns because they are sticking with their discipline. Oppenheimer International Growth dropped to 96 for their 1 year ranking; it is a contrarian type of fund. Incidentally the dismal 1 year number only affected the 3 year number incrementally dropping from the low 30's to 39 in the last quarter. ICMA will monitor it but he did not believe it needed to be on the watch list yet, same thing with the Oppenheimer Developing Markets. It is part of the same team and has a very similar discipline, they do not have exactly the same managers but they do share some managers across the team. RS Global Natural Resources has been removed from the lineup and the members contributing were moved to the appropriate target date funds.

Chairman Barkenbush asked if there were some other criteria they should be looking at to compare the target date funds since the 3 and 5 year numbers show N/A.

Mr. Wedemeyer answered they could go back to the R5 share and remember that the target date funds have better performance, or he could advise the Board when any of the target date funds are failing to meet the investment policy. He could give the Board the numbers for the target date funds but he could not publish them. The Retirement Income fund, even with its conservative nature, because of the volatility of the market moved up into the 2nd quartile for its 1 year. The following numbers are for the R5, which is what the funds are mirrored against; for the 3 year that fund was in the 58th percentile, the 5 year it was in the 71st percentile. So for the Retirement Income fund, if he could officially report the numbers, the 3 year would be right at peer median, in the 50th, and in the 5 year ranking would be in the 62nd, so it would not be meeting the investment policy with the 5 year. Short of that every other one of the target date funds, except for the 2050, met the investment policy statement based on the changes that occurred and the volatility of the way those funds are managed. To give the Board an idea of what the share classes do he said that in the R5 the 2050 fund would have been in the 52nd percentile, and in the new share the 2050 fund is in the 47th percentile.

Mr. Hermanson said the share classes imply an effect on the fees and asked if they were reporting net of fees.

Mr. Wedemeyer answered yes and said the worst performing of any of the target date funds was the 2045, which is in the 38th percentile in the current share class and the old share class is in the 48th. If you look at the 3 and 5 years, 14th percentile and 20th percentile respectively, so they are all doing well.

Mr. Hermanson said they should put R5 on the watch list report with a footnote to remind the Board they were really in R9 so that they would have the numbers for comparison and highlight anything that is missing the investment policy.

Mr. Wedemeyer said he would work with Walid Refai at ICMA to try and find an easier way for the Board to compare the numbers. They had accurate 1 year numbers for the asset allocation funds or model portfolios. The Vantagepoint Long-Term Growth fund mirrored share class is 49th for the 3 year and 45th for the 5 year. The Vantagepoint All-Equity Growth mirrored share class is 79th for the 3 year and 80th for the 5 year. The Vantagepoint Traditional Growth mirrored share class is 61st for the 3 year and 67th for the 5 year. The Vantagepoint Conservative Growth mirrored share class is 47th for the 3 year and 51st for the 5 year. These funds are built conservatively so they do not perform as well when there is growth but because of the volatility at the beginning of the quarter there has been improvement.

D) Model Portfolio's
1. Review of Model Portfolio Performance
2. Enrollment statistics in model portfolios, % of total funds in model portfolio's
3. Decision to delist Model Portfolio's and replace with Target date funds, or seek other fund alternatives?

Michael Hermanson said the Board has considered the idea of reducing the number of fund titles in the lineup. Further consideration over the last several quarters indicated the Board may want to look at what other jurisdictions have done to reduce the number of investment options in their lineup. One of the questions raised last quarter was how many participants were enrolling in the model portfolios compared to the target date funds. When the model portfolios were established, it was the only option for participants to invest in a fund that automatically adjusted and rebalanced allocations. He asked the Board if they were interested in trying to minimize the investment fund lineup, was it more of a performance issue, and is it something that as time goes on, perhaps the time for model portfolios has passed. However, because the model portfolio funds have been around for so long there is a lot of money in them. It is important to understand what the flows have been, are people enrolling in these funds, and whether there are duplicated positions.

Ken Wedemeyer said that was why he wanted the Board to look at the performance of those funds because that was one of the factors to consider. Almost half of the assets in the model portfolios are in the long term growth which is now meeting the investment policy statement. Other factors to consider included whether the Board wanted to streamline the lineup and force the change on members, or do the members have a reason to invest in the model portfolio like an acceptable level of risk that is not predictable for their age.

Chairman Barkenbush said the plan currently offers conservative, moderate, and aggressive allocations and asked if the suggested allocation was in the middle.

Mr. Wedemeyer answered yes it was. At the meeting held on March 6, 2015, and ratified on April 1, 2015 the Board asked if there was anything comparable to replace the model portfolios.

Chairman Barkenbush stated if they went to a replacement fund they would be weaning participants away from any conservative allocation other than the Plus fund.

Mr. Wedemeyer answered that was true. When all of it is put into a single fund it is an asset allocation fund that sits in the middle with regards to risk.

Mary Inorio said a lot of people who choose those funds have decided what they want their asset allocation to be or how aggressive they are and they do not necessarily fit into a milestone fund and they do not want the allocation to become more conservative with age.

Mr. Wedemeyer said the Board could go from 4 model portfolios to 1 fund, but the board should consider the model portfolios have improved performance. He could show them what the mapping would look like and the case study from when this change was made in Santa Clara, but he thought the Board should discuss whether they want to do it at all.

Mr. Hermanson commented the Board should consider whether they actually wanted to remove the VT funds from the lineup, otherwise going through the exercise of reviewing the education provided to participants would be futile.

Chairman Barkenbush said looking at the numbers for 1 year on any of the replacement funds, they are significantly better than most of the model portfolios except for the Large Blend.

Mr. Wedemeyer said he pulled the information for all the members who enrolled in the last 2 years and fewer than 5% of them have any position in the model portfolios, so most new members are enrolling in the target date funds.

Mr. Hermanson said they could perform further analysis on member activity in the model portfolios but he was looking to the Board to give direction.

Steve Postil said there were very few participants and very little money in the target date funds for 2045 and 2050.

Mr. Wedemeyer said this implies that not everyone is enrolling in age appropriate milestone funds. The bulk of what would be moved is $12M from the Long Term Growth fund, which is now meeting the investment policy statement.

Curry Hale pointed out members might wonder why they had all the milestone funds.

Ms. Inorio reminded the Board that if an employee does not choose an allocation on their enrollment form their funds are automatically placed in the age appropriate milestone fund.

Mr. Hermanson stated the QDIA, the qualified default investment alternate used when a participant does not select an investment allocation, is an age 55 target date fund based on the participant's date of birth. Having a QDIA is an IRS requirement for all plans.

Mr. Wedemeyer said they were forcing, with mobile applications and online enrollments, the ability to do a quick enroll.

By the end of the summer new employees will be able to enroll using the mobile app, where the only option will be the QDIA and they would have to go online later to make changes because the emphasis was to get people enrolled.

Silvia Amparano said she would like to see more options rather than fewer. She thought that having fewer options than a competitor could hinder enrollment.

Mr. Wedemeyer asked if the Board thought people were confused about risk vs. target date. It was ICMA's responsibility to educate them so that they know the difference. Not a lot of new decisions were being made to go into the model portfolios, or at least not as many as in the past and he hoped that all of the people in those portfolios are there on purpose.

Mr. Hermanson said one option was to hold educational forums directed primarily at the enrollments in the model portfolios to teach members about investment allocations and make sure they understand the possibilities. If someone is enrolled and participating in more than 1 model portfolio there will be overlapping elements and that is not advisable, but the Board could not advise the member that it needs to be fixed.

Ms. Amparano said that at some point those decisions had to be left to the individuals themselves. The Board is providing options and can only give so much guidance.

Ms. Inorio explained people who are getting ready to retire look into the Conservative Growth Model Portfolio because they want a conservative posture instead of the annuity option. Occasionally people roll their funds over from Nationwide where there are 4 or 5 of the asset allocation model portfolios in addition to their destination funds that are equivalent to the milestone funds. In order for them to map over directly it would move from the Nationwide asset allocation fund to the ICMA model portfolio. If the Board voted to remove the model portfolios from the lineup it could also have the effect of making it seem like Nationwide is offering something that ICMA does not.

Mr. Postil asked about the CDs in the Plan Investments Report.

Mr. Wedemeyer explained they were left over from when CDs were previously offered, more than 3 years ago.

Mr. Hermanson said people tend to put their money somewhere and forget about it as illustrated by the money remaining in CDs. There did not seem to be a lot of interest in further research on the model portfolio funds and making changes. He asked if it would be worthwhile to perform outreach, see if there are any duplicated allocations, and contact those who have more than one model portfolio position to offer them information on asset allocation.

Mr. Postil asked them to focus on the allocations with very few people and very little money as well as the CDs as there are only 3 members with positions in them.

Ms. Inorio answered yes she would contact those people.

Mr. Wedemeyer queried the Board if they were still considering moving forward with a transition from the VT model portfolios, he had materials he could distribute including information from Santa Clara County where this change to the lineup was recently adopted. The materials describe the educational processes undertaken during several months' worth of meetings in a PowerPoint presentation.

Allan Bentkowski asked what drove the decision to make the transition.

Mr. Wedemeyer answered the decision was made with streamlining the fund lineup in mind, but the sponsor's account had pretty low utilization of the model portfolios.

E) Case Study - Educating Participants on transition from Model Portfolios

1. Power point presentation
2. Timeline for education rollout

Chairman Barkenbush stated based on the previous discussion, there did not appear to be much interest in making this transition, so he moved forward to the next item on the agenda. Board consensus was indicated.

F) Brief review of Fund line-up changes and transition

Michael Hermanson said that as Mr. Wedemeyer indicated previously (under item C1 – to delist the T. Rowe Price Small-Cap Value fund and replace it with JPMorgan Small Cap Core Select) there is still one fund that needed to be moved pursuant to the Board's actions on March 6, 2015 and ratified on April 1, 2015.

Allan Bentkowski asked about something Mr. Wedemeyer alluded to when he said "make participants whole."

Ken Wedemeyer answered presuming they made the move from the T. Rowe Price fund because it had not been performing well, and the new fund has better performance, they would distribute the difference between the funds from the May start date to the appropriate members.

Mr. Hermanson said the changes to the fund lineup have become more routine over time, based on action taken by the Board on March 6, 2015 and ratified April 1, 2015. There were very few phone inquiries to the TSRS office regarding the changes; unusual, because there are typically more inquiries, but in this case there had only been 2.

Mary Inorio said she had received only 2 or 3 calls, she speculated people were getting used to occasional changes to the fund lineup.

Chairman Barkenbush said there had been quite a few withdrawals from the Plus fund and asked if it was going into IRAs.

Gary Helm answered it could be moving to other funds, for example a model portfolio.

Chairman Barkenbush said the net cash flow was (negative) $1.3M so there is a lot of money going out of the fund compared to contributions.

Ms. Inorio explained she had spoken to members who have been in the fund for a while but with the interest rates being so low they are considering moving a portion, she suggests about 30%, and investing it for the long term, which they are more apt to do because the market is up.

Mr. Wedemeyer said of the assets that left ICMA completely about 80% of them went to Nationwide.

Ms. Inorio said Nationwide's rate on their fixed income account is 3.5% which is also affecting the cash flow.

Chairman Barkenbush asked if it was just Tucson Fire Department (TFD) uniformed personnel transferring funds from ICMA to Nationwide.

Mr. Wedemeyer answered that to transfer funds from ICMA to Nationwide they must be TFD personnel or have previously opened an account with Nationwide. He was sure that close to 100% of those transfers were on behalf of uniformed TFD employees.

G) Educational Report, Plan Statistics, Enrollment Info.
1. Report on completed presentations and attendance
2. 2015 Education Plan Strategy
3. Q1 – 2015 Plan Analytics
4. Custom Quick Enroll Form, Electronic App.
5. 2015 New Enrollments receiving $50 incentive

Gary Helm summarized the plan activity and statistics YTD (1/1/15 – 5/30/15) and contract to date (10/1/14 – 5/30/15). YTD Mary Inorio completed 71 on site consultation days, 28 on site seminars with 252 attendees, 358 portfolio reviews, 183 financial transactions, 78 enrollments in the 457 plan, 7 Roth IRA enrollments, 98 contribution changes, and $2.18M in rollins. Contract to date Ms. Inorio has completed 104 on site consultation days vs. the 140 contractual days, 44 seminars with 425 attendees vs. the contractual 70 seminars, 566 portfolio reviews, 263 financial transactions, 116 enrollments in the 457, 7 Roth IRA enrollments, 140 contribution changes, and $3.3M in rollins.

Mike Hermanson stated that the TSRS point person with ICMA corporate headquarters indicated there were approximately 92 new enrollments in the 457 for the calendar year to date based on enrollments that have received the $50 incentive.

Mr. Helm said the number of new enrollments seems to be related to the number of new hires. When the City is hiring and there are new employee orientations a decent number of new employees enroll in the 457 plan.

Ms. Inorio said the rollin number will be closer to $11M year to date. Most of those rollins are driven by the drop program because there are about 200 people from TFD and Tucson Police retiring.

Mr. Helm said the City's new certified financial planner (CFP), Nicole George has been selected and will be starting in a couple months. Jason Sharp, (our current ICMA CFP), attended a retiree luncheon in December for the purpose of educating retirees, as they account for a large portion of the plan balance. The idea was to provide information on services available through ICMA even these participants are retired. Another presentation on Social Security planning was very popular seminar as retirees plan out the most advantageous options themselves and their family. Coming soon, our CFPs will have a social security analyzer to assist retirees with planning out when to draw their social security benefits.

Curry Hale asked about the target group for the social security seminar.

Ms. Inorio answered most of the people attending the seminars were within 5 years of retiring, a few had just retired, had not started taking their social security payments yet, and were trying to figure out what the best option was for them. They have been the best attended seminars to date.

Mr. Wedemeyer said they started Saturday seminars last fall in San Antonio and the seminars have all been full. These seminars are put together by ICMA and TMRS, who administrates their pension. When they had the Q&A portion most of the questions were about social security, not pension benefits.

Mr. Helm said, in response to Mr. Hale's question, there is not really an appropriate age for the social security seminars but they are good for anyone past age 45 or 50 who might start thinking about social security. They want to educate people early that this benefit is going to be there for them in some capacity and it should be understood as a part of their overall retirement planning.

Mr. Hale said it would help to include the target audience on the notifications to call the audience's attention to it if they did not realize it was applicable to them.

Mr. Helm answered they were working on it because it is difficult to manipulate a demographic in order to show people that they may need this information sooner than they thought.

Mr. Wedemeyer said one of the forms distributed at the Saturday seminars was a checklist for different ages starting at age 55, kept as generic as possible because there were 2 vendors participating. Anyone close to age 55 is an appropriate audience.

Ms. Inorio says that they send out an email to all the City employees who are members, and for retirement seminars she also sends personal emails to members age 55 or older.

Mr. Postil asked if ICMA has seminars about when members reach age 70.5 and have to start withdrawing from their accounts under the minimum distribution rules.

Mr. Helm answered they did not have a seminar just for when the assets have to be withdrawn but it was included in the other 3 seminars specific to distribution. For most members this is not a problem because they start withdrawing right away after retiring, but there is a small percentage that does need to be notified when they have to begin withdrawing.

Mr. Helm went over the flyer ICMA created for the City of Tucson summarizing the services they offer. The services they offer are robust and diverse and some people do not understand what they are asking for help with when they contact an ICMA rep. The point of the flyer is to explain the difference between what Ms. Inorio provides like retirement counseling and retirement planning versus what Ms. George provides because their services are intertwined. So, ICMA wants members to understand what a financial planner does versus what a retirement planner does. It also gives information on their advice services because many members do not use those tools. There are a number of different levels of financial planning that members can go through. One is the snap shot financial plan which is free to everyone, it is a subset of the overall comprehensive plan and they want members to get a sense of what can be done with their current retirement plan. The financial planning includes other factors like social security, Medicare, real estate, how to draw down the assets, and an outside IRA or spousal assets. Ms. George will put it all together into a comprehensive household financial plan. Ms. Inorio will primarily look at a member's retirement money, what do they have in their 401k, 457, IRAs, and pension and investment allocation.

Mr. Wedemeyer explained that previously if a member was in managed accounts and separated from City service they could not remain in managed accounts, now they can. It helps people stay diversified if they want someone to help manage the money and create a distribution plan.

Mr. Helm announced the managed account fees had been reduced to starting at 0.4% from 0.6% and the fee cap has been lowered to $1,500 for the managed accounts. The managed account program takes all the assets and manages them based on how much the retiree wants to take out every month and how long they want it to last. The portfolio will be managed according to that distribution schedule. Members can utilize the advice portion of this service for only $20 a year. If the member has more than $50K in their account that service is free.

Mr. Wedemeyer said the flyer would also be sent out as an HTML email with links to the seminar and event registration, and links to make appointments with Ms. Inorio and Ms. George.

Mr. Helm asked if anyone in the room used the online advice service.

Mr. Hale answered he intended to because he was a prime example of what they were talking about. He has been with the City for 15 years and never made any changes to the investments in his ICMA account.

Ms. Inorio said that many of the people getting ready to retire are being solicited by outside brokers to roll out their money so the broker can put their money into a wrapped mutual fund program and charge them 1.5% - 2% for it when ICMA provides the managed accounts with significantly lower fees.

Mr. Helm asked if people were attracted to the offers of the soliciting brokers because they did not know ICMA provided the services available at a considerably lower price. Because modern portfolio theory is the same the output will be the same whether the member is going through an outside broker or ICMA. That is where ICMA is falling behind; they are not marketing the services well enough so members are uninformed and may not have had a chance to develop an interest.

Ms. Inorio suggested ICMA produce a flyer telling people what they would be paying in dollars as opposed to the percentages because people do not realize what they are paying until they see the dollar amount.

Mr. Wedemeyer said they were working on a revision of the strategic plan, and they needed to focus more on behavioral finance because most people let things ride as long as they are going well, and then when the market goes down they do the opposite of what they should because they think about it. ICMA needs to be more aggressive in marketing the services they offer.

Mr. Helm added that some people have let it ride for 15 years which is fine as long as the funds are in the right place.

Mr. Wedemeyer said Dawn Cullen, with ICMA communications, has been working with them to develop an education plan and would like to participate in the Board meetings twice a year, via telephone. She has asked to attend the meeting scheduled for September 4, 2015 via telephone to discuss the development of future educational materials.

Mr. Helm added she would help to get the materials out to members from corporate headquarters instead of asking Ms. Inorio to get it done on top of all of her other responsibilities. They are putting more resources toward the plan in order to make some things, like mailings, happen automatically and consistently instead of just when they think about it. They want to see more participation, more diversification, members not duplicating their funds between 4 model portfolios, and to make sure members are using all of the resources available to them that are included in the cost of the plan. They were going to continue to send postcards to new employees who have not enrolled because they believe emails have become less effective as a form of communication due to the bombardment of marketing messages. They will continue to send the flyers via email as well as the postcards in order to reach more unenrolled employees.

Ms. Inorio said she felt the emails were more effective than the postcard. People need to enroll when they are young and chances of reaching a younger employee are better through email.

Mr. Helm answered it depends on the demographic which was why they were continuing to mail postcards and send emails. They have 2 messages: savings and cost of delay. In the flyer there will be a link to the 2 different calculators offered on the ICMA website. One of them indicates what it costs an employee when they do not save. The second is a savings boost calculator that will tell them what they will save if they increase their contributions over 20 or 30 years. The new mobile applications are out there and soon people will have the ability to enroll on their phone. Members will not be able to increase their contributions on the mobile app. The pre-retirees are the bulk of City employees at this time, age 40 and above. They want to send the message to them asking where they are in planning for their retirement because those are the ages where it becomes important. The seminars and 1 on 1 meetings are the most effective method for reaching members but ICMA is also putting messages on the statements and account access messages when they log into their accounts online. They want the pre-retiree members using the savings boost calculator. With the City pension system employees could retire in their 50's and still have 10 years before they can collect social security. ICMA wants to make sure to engage the retirement group (age 48 or 18+ years of service) with the appropriate messages and encourage them to use the CFP services because their financial life has become more complicated than it was in their 20's and needs to be addressed appropriately. For the members who are already retired, they want to help them make their money last.

Mr. Wedemeyer said he wanted to make sure the message was out there for members who are getting ready to retire before they consider moving their assets out of ICMA. They want to make sure those members are aware of the services available to them as a part of the City plan, which was much more economical than going to an outside broker. The goal is to have the plan in place in the first quarter of 2016, to reach the people who are being bombarded with messages from outside brokers.

Mr. Helm asked for ideas to interest people in attending an event for National Save for Retirement Week.

Mr. Wedemeyer suggested a theme, even if they use the national theme. If they could decide on a theme they could set up pop-ups on the ICMA website to make members aware of it.

Mr. Postil asked about the $50 enrollment incentive.

Ms. Inorio answered they had been sending out postcards with information on the enrollment incentive. There had been a surge of enrollments and she believed they were up to approximately 180 for the year.

Mr. Hermanson advised that money had been allotted for up to 300 enrollments, which they have never reached. Even if they were half way to those 300 slots they still had half of the year left. Regarding National Save for Retirement week he thought they should have 3 contact days now that TSRS has the staffing to do so.

Ms. Inorio said they announced last year's meeting as an enrollment event so that people did not just come to check on their accounts and it was pretty successful. Hopefully the one page enrollment form will be ready for the event this year.

Mr. Hermanson said they should probably start mapping it out in the next couple of months.

Mr. Helm asked about doing it in conjunction with a health event.

Mr. Hermanson would check on the flu shots because they are usually offered around that time, the 3rd week of October.

Ms. Inorio stated in the past there had been a problem with that arrangement because people came down for the flu shots only and there was not enough room for both events so people could not get in to talk to ICMA or for the flu shot.

Mr. Hermanson said they would sort that out but he favored events with adjacent timing.

Mr. Wedemeyer said they were also focusing on a more emphasized look at combining with wellness because of the financial wellness aspect and all the numbers that go along with it. They did need to be mindful of the set up in order to avoid the bottleneck previously mentioned my Ms. Inorio.

Mr. Helm advised National Save for Retirement week was the week of October 19th, so if they wanted to have events on the Tuesday, Wednesday, and Thursday it would be October 20, 21, and 22.

Mr. Hale said the Know Your Numbers Campaign for employee wellness shares a similar timeframe. The previous campaign was moved to March from October, November, or December and it was a disaster. They also learned people want free stuff and got upset when they were entered into a drawing instead. The incentive could be cheap as long as it was free to participants.

Mr. Helm said he liked "Know Your Numbers" for the theme because it is applicable to both wellness and saving for retirement.

H) Report on progress of request to automate member deferral change elections, % of pay election, annual contribution limit testing

Michael Hermanson stated this was an ongoing process and will likely be completed around October time frame.

Chairman Barkenbush said the corporate world seemed to be making some progress in that. There was an article in this month's Money magazine about them offering automatic enrollment with a minimum contribution rate, so there seems to be some progress being made with 401K's going to that automatic enrollment.

Mary Inorio said ICMA has a mandatory enrollment in a 401K plan for its employees.

Gary Helm said there has been a huge push in the private sector because the savings rate for Americans is very low. Government employees are required to save in the form of pension contributions which puts them 3 steps ahead of the private sector and due to the dismal savings rate the private sector had to do something to address this. There have been a number of plans looking into it and making their employees aware of the possibility.

Mr. Hermanson said there have been some questions as to the legality of automatic enrollments in the state of Arizona. He explained this agenda item was really about an attempt to automate the member deferral elections. Right now it is a 2 step process, a participant can go on the ICMA website and indicate what they want their deferral deduction to be and then TSRS staff has to download a report and key it into the payroll system. What they were trying to do was link that, it does exist in other jurisdictions but it will require coordination between IT and the payroll system. There is also the standing request that members be able to indicate a percentage of their pay for deferral election rather than a hard dollar amount. They are also trying to automate the annual contribution limit testing so that they no longer have to manually shut off deductions when it looks like a member is going to exceed the annual contribution limit.

I) Follow-up on letter to City Manager - notice to outside vendors concerning on-site meetings

Chairman Barkenbush asked if there had been any feedback received on the letter sent by the Board.

Michael Hermanson said the plan was to reach out to the Fire and Police Chiefs to make sure they are aware of the Board's concern that with some of the outside vendors appearing in City offices there may be a perception that the City is providing some level of oversight on those programs, which is not the case. There was no response indicated from either of the Chiefs after mailing the letter to them.

Silvia Amparano reached out to the Police and Fire Chiefs to see if they had done anything to address the situation and they had not.

Steve Postil asked if the City Attorney's office had provided any feedback on the letter sent from the Board to the City Manager's Office.

Mr. Hermanson answered Mr. Deibel reviewed it before it was sent. Mr. Deibel's original thought was the Board could only present their concerns to the City Manager.

Ms. Inorio stated at new employee orientations where there are a large number of Tucson Fire recruits, they separate them, send them to a Nationwide presentation, and they never see an ICMA presentation.

J) For the Board's Information: Article: Tibble vs. Edison ruling turns up the heat on plan sponsors (Employee Benefit Adviser May 29, 2015)

Michael Hermanson said the concerns expressed over the previous item lead right into the article provided. There have been some lawsuits that were settled unfavorably against plan sponsors where they are failing to oversee their fiduciary responsibilities and it is a valid concern for the City to have a program with unknown oversight or vendors coming on in this kind of situation.

Curry Hale stated Tucson Fire had requested to have a private employee orientation in 30 - 45 days for about 25 recruits.

Mary Inorio stated that she did not attend the private Tucson Fire new employee orientations.

Mr. Hale said Nationwide comes in instead of the City sponsored plan. Human Resources (HR) will look into the private Tucson Fire new employee orientations because the recruits should at least be provided with the options to make an informed decision.

Mr. Wedemeyer said there were many cases where there were 2 vendors who could share the messaging and let people make their own decisions.

Mr. Hale said he would look into it because HR is in charge of new employee welcome and orientations; and arrange coordination to make sure the various vendors were present and able to participate.

Silvia Amparano said the City is not doing their due diligence if certain employees are not being provided the information they need to choose between their options, especially since the City's preferred vendor is ICMA with specially negotiated fees.

Gary Helm said Mr. Hermanson brings up a good point with the lawsuits because in reality the City is still offering the Nationwide plan even though this Board did not have any responsibility for the oversight of it, and someone should be overseeing it even if it is a union board.

Mr. Wedemeyer said this was a great opportunity to talk about what the Board does and then they could get the message out.

Mr. Hale said he would be able to give a report to the Board, at the September 9, 2015 meeting, about the vendors at the new employee orientation and making sure new employees are receiving information about all the options available to them.

Ms. Inorio was unsure if Tucson Fire employees were receiving ICMA packets at the new employee orientations.

Mr. Hale said he would look into it but the preferred option would be to have Ms. Inorio make a presentation and hand out packets.

Chairman Barkenbush asked if Nationwide was disclosing their total fees.

Mr. Helm answered the information could be obtained from the Nationwide website because he did not think they had special City employee fees.

Mr. Hermanson said the article was about share classes used in the investment line-up, an issue this Board has paid attention to over the past few years. There was a lawsuit questioning why the least expensive share class was not offered to the participants and the plaintiffs were successful in that lawsuit. There was another lawsuit about the due diligence review regarding the fees charged to participants and whether or not it was the most competitive fee. This Board has done a great job with finding competitive fees but they need to be aware that there are court cases in the 401K world and there is a continuing requirement to do those things.

K) Call to Audience – None heard.

Adjournment

A motion to adjourn was made by Chairman Barkenbush, 2nd by Silvia Amparano, and passed by a vote of 5 – 0.

Meeting adjourned at 10:58 AM

Approved:

Joe Barkenbush 9-4-2015 09-05-15

Joe Barkenbush — Date — Michael Hermanson — Date
Chairman of the Board — Plan Administrator