DEFERRED COMPENSATION PLAN MANAGEMENT BOARD MEETING MINUTES

DATE: Friday, March 4, 2016
TIME: 9:00 am
PLACE: 5th Floor - Finance Conference Room
255 West Alameda
Tucson, Arizona 85701

Members Present: Steve Postil, Acting Chair
Karen Tenace, Deputy Finance Director
Betsy Conroy, Deputy HR Director

Staff Present: Silvia Navarro, Treasury Administrator
Neil Galassi, Pension Administrator
Dawn Davis, Administrative Assistant

Guests Present: Ken Wedemeyer, ICMA-RC
Gary Helm, ICMA-RC
Mary Inorio, ICMA-RC
Walid Refai, ICMA-RC (via telephone)

Absent, Excused: Joe Barkenbush, Chair
Dennis Woodrich, Elected Member

A) Call to Order – Acting Chairman Postil called the meeting to order at 9:05 AM

B) Consent Agenda
1. Approval of Board Meeting Minutes from December 4, 2015

A motion to approve the Consent Agenda was made by Karen Tenace, 2nd by Betsy Conroy, and passed by a vote of 3 – 0 (Chairman Barkenbush and Dennis Woodrich absent/excused).

C) Investment Performance Review
1. General Review of Plan Investments Report for the period ending December 31, 2015
   a. Scorecard Metrics
   b. Watch List Report
   c. Plan Analytics

Ken Wedemeyer stated historically the Board has used the first meeting of the year to make any fund changes, which is done once a year with only extreme exceptions. There were some over performing funds, which means they are losing less compared to their peers. The watch list report takes the information from the Plan Investment Report and develops a trend line so the Board can see a snapshot of previous 9 quarters. Any fund that underperforms or does not meet the Investment Policy Statement (IPS) gets highlighted on the watch list. A fund could be highlighted for short term performance, long term performance, or even manager tenure. The issue with the PIMCO Real Return is their 1 year ranking has dragged down the 3 year ranking;

this was not the PIMCO fund previously discussed by the Board when the investment manager left after 25 years. The PIMCO Low Duration and Total Return funds underperformed in their 3 year rankings, but they are highlighted on the watch list for manager turnover. The T. Rowe Price Growth Stock has performed well compared to peer, but it is on the watch list due to short manager tenure. Alternatives for the Goldman Sachs Mid Value A fund have been provided for the Board's consideration. The short term performance of the Munder Mid-Cap Core Growth fund is affecting their 3 year ranking.

Walid Refai explained the Munder fund was on the watch list due to their short term performance. There were a few major trends in the market last year; one of which was value significantly underperformed growth. Munder was more valuation conscious in a market environment where valuation was not rewarded.

Mr. Wedemeyer recommended keeping the Munder fund on the watch list for further monitoring and asked Mr. Refai to give a market update.

Mr. Refai said the US economy continued to grow at a modest rate of 2.4% last year. In the 3rd quarter the economy expanded at 2%, in the 4th quarter it expanded at 1%, half the base of growth in the 4th quarter spilled over into the 1st quarter of 2016 when people were becoming more concerned about the pace of that growth moving forward. In the forecasts for 2015 many people were expecting the economy to grow more than 3%, that breakout level was never achieved. Forecasts for 2016 expect growth of 3%, but over the last few years it has been less. In terms of the equity and capital markets in general there were very pronounced trends last year. One was in fixed income, investment grade out performed high yield, and that was in no small part due to the impact of the decline of commodity prices, which are priced in US Dollars, and the corresponding increase in the value of the US Dollar. As the Dollar appreciates it puts a lot of pressure on commodity prices, so it does not matter what the commodity was because they all declined last year. Many emerging markets are dependent on commodity exports, so as commodity prices declined it put pressure on emerging markets. With the expansion in US oil production many oil companies' borrowed tremendous amounts of money from banks. As oil prices declined investors became anxious about the ability of the oil companies to repay the loans; and because these companies were typically smaller companies the loans were classified as high yield. Within the fixed income space investors were avoiding high yield. The PIMCO High Yield fund has performed well relative to its peers because the manager is more conservative. Macro factors also affected equities; the decline in energy and commodities had a major impact on the materials sector. US equities have performed better than non-US equities. Within US equities large cap has outperformed small cap, and growth outperformed value by a significant margin. Within non-US equities developed markets outperformed emerging markets. If the fund manager leaned toward value the fund underperformed, as a result of their asset allocations some of the Board's funds underperformed because of these trends. Emerging markets were down about 15% for the year, developed international markets were down less than 1%. The S&P 500 was up a little over 1.3% for the year. Last year diversification did not help.

Mr. Wedemeyer asked if that information could be applied to the PIMCO Real Return fund.

Mr. Refai said economic growth of 2.4% was good enough for the Federal Reserve to raise interest rates in the 4th quarter. The Federal Reserve has indicated that it has an inflation target of 2%. PIMCO Real Return attempts to provide investors with real rates of return, meaning they are inflation adjusted, so they invest in US Treasury inflation protected securities, which are tied to the consumer price index and inflation. Last year inflation was very weak at 0.7% year over year, which is below the Federal Reserve's target, and inflation protected securities as an asset class did not do very well last year. PIMCO Real Return also invests in other commodity or inflation related asset classes, not necessarily in the US, because inflation was low it had a large impact on the Real Return fund relative to its peers. Short term underperformance is solely related to these fleeting aspects of inflation.

Mr. Wedemeyer recommended the Board put PIMCO Real Return on the watch list because the fund did not perform well compared to peers, and their 1 year ranking has dragged the 3 year ranking down.

Acting Chairman Postil requested PIMCO Real Return be added to the Watch List.

Mr. Wedemeyer said the Goldman Sachs Global Income fund ranked number 1 for their 1 and 3 year performances. The Victory Small Cap fund rankings show what a difference a quarter can make. It has been on the watch list for 5 consecutive quarters, for performance only and now their performance has turned around; this is the reason the Board looks at long term trends on the funds. The JP Morgan Small Cap Core Select fund had a 3 year ranking of 8 and a 1 year ranking that dropped to 60. This is another example of the volatility and reaction as compared to peers in the market.

Acting Chairman Postil asked if they could explain the sudden drop in performance from the JP Morgan Small Cap Core Fund.

Mr. Refai explained the JP Morgan Small Cap utilizes a lot of quantitative screens including valuation and behavioral aspects. The fund had a strong track record last year because of their valuation tilt within the fund relative to peers. Based on Morning Star Category averages, last year small growth declined 2.41%, and small value declined 6.71%; as managers move away from growth and toward value it hurts their performance.

Mr. Wedemeyer said the short term performance of the American Funds Cap World fund had them ranked 55th for 1 year, and this is why they are on the watch list. They have a long term management team, very low fees, and hovers around a peer median ranking. The Oppenheimer Developing Markets fund was on the watch list for 4 consecutive quarters but with the recent changes in the market they began to meet the IPS and are off the watch list this quarter. Nuveen Real Estate has moved up relative to peers since the last Deferred Compensation Management Board meeting. The short term performance of the Vantage Point Milestone Funds compared to peer was not good, however, long term they have outperformed their peers.

Mr. Refai explained the milestone funds underperformed relative to peers in the 1 year period, primarily because there is a tilt in those funds towards small cap, which means they have little exposure to high yield, and more exposure to international equity than peers. All of these factors worked against the relative performance of the milestone funds last year. Both the milestone target risk funds and the model portfolios were impacted first and foremost by asset allocation. In choosing a model portfolio investors must know that from time to time these factors will work for them in some periods and against them in others. This can be seen on the watch list with the funds that were not doing well but now have improved performance because their management style has come back into favor. The milestone funds and model portfolios invest in other Vantagepoint funds, and each Vantagepoint fund is managed by 1 or more subadvisors; an index fund will have 1 subadvisor and an active fund would have more than 1. The typical milestone fund will have around 22 subadvisors. ICMA-RC monitors the subadvisors on a regular basis and if they see that some of them are not doing what is expected of them, given their investment style and market circumstances, take action to remove them. The funds are expected to continue to provide investors with a long term balance between risk and return.

Mr. Wedemeyer said ICMA-RC tilts their funds toward members retiring earlier and hedge on volatility because all their members are public sector employees. The model portfolios are risk oriented, so members should choose one based on how risk adverse they are, and the model portfolio asset allocation does not change with the investors' age as it does in the milestone target date funds. Every quarter the Board discusses the model portfolios; in the past they have discussed taking the model portfolios out of the fund lineup and mapping the investors into the appropriate milestone fund. Every time the Board decides that the additional choices are not a bad thing but they need to ensure the options are good ones. The shift to the R9 classification has helped the model portfolios in terms of their 3 and 5 year rankings. The Traditional Growth is the only one still on the watch list for the 3 and 5 year rankings, and even it improved with the classification change.

Mr. Refai explained the traditional growth model portfolio lagged over the medium term because it is more conservative within fixed income. It over-emphasizes the shorter duration, and has more emphasis on higher quality, both of which worked against it. The non-US tilt also detracted from performance. The overweight to mid and small cap was negative relative to peers due to the performance of these asset classes. The Global

Equity Growth model portfolio worked against investors on a relative basis, but it was classified by Morningstar as a large blend which should be compared to the S&P 500. The fund was not designed that way as it always has at least 20% exposure to non-US equities, but compared to peers who are domestically focused and use the S&P 500 as their benchmark the fund does not perform well in a time period when non-US equities are lagging, and non-US equities have lagged for the last 5 years. The fund was reclassified in the 4th quarter of 2015 so it is now being compared to Worldstock, and funds with at least 40% exposure to non-US equities so now it does well compared to peers.

Mr. Wedemeyer explained the Global Equity Growth fund has been on the watch list for a long time but the reclassification made a difference in the longer term and the Morningstar rating was 4 stars across the board which is different from when it was previously discussed by the Board at the first meeting of 2015.

Acting Chair Postil clarified the Board's options were to replace the funds with a similar option or consolidate them to reduce the number of choices.

Mr. Wedemeyer said Mike Hermanson, the previous plan administrator, was in favor of streamlining whenever possible, so if a fund was not doing well he wanted to remove it. However, the conversation the Board had was related to the large number of assets invested in the model portfolios, which have been an option to members a lot longer than the target date funds, and a lot of positions would be forced out if the board decided to remove the model portfolios from the plan. At the meeting held on 12/4/2015 the Board asked about alternatives, or consolidating to 1 or 2 funds. The choices would be to leave the model portfolios as they are, look at replacements for the portfolios as they would a typical fund, move them to 1 or 2 funds, or remove them from the lineup and move the members invested into the appropriate target date funds.

Acting Chairman Postil believed there were too many options and streamlining the plan was his preference. He asked how many members were invested in the model portfolios.

Mr. Wedemeyer answered as of 12/31/2015 there were 396 participants in the long term model portfolio, and 4.81% of the plan funds at $11.5M; the traditional growth model portfolio had 227 participants, and 2.91% of the plan funds at $7M; the global equity model portfolio had 120 participants, and 1.01% of the plan funds at $2.4M; and the conservative growth model portfolio has 67 participants, and 0.99% of the plan funds at $2.4M.

Karen Tenace asked for the history behind the rationale for streamlining.

Mr. Wedemeyer answered the trend in the industry in the early 2000's was that more was better but over time they found that it raised inertia. The thought on streamlining was that it would decrease the inertia and members would begin to participate. In Austin, TX they did a restatement of their plan and they lost 10% to 12% of the participants by reducing their lineup too much. The City of Tucson's fund lineup compares favorably against cities of similar size, but there has always been sensitivity to having too many funds. He asked Mary Inorio if people enrolling were confused by the number of funds available.

Mary Inorio answered it had never been a problem, and expressed concern because most of the portfolios had more of a conservative posture for public sector employees who tend to be inherently more conservative. Some people do not want to invest in the target date funds because they get more conservative over time and the member wants their investments to stay aggressive. Some members have expressed interest in choosing moderate or aggressive investments and keeping it that way until they decide otherwise, as opposed to becoming more conservative automatically as the member gets closer to retirement. It was important to keep the model portfolios for those members so they had an option that was attractive to them.

Acting Chairman Postil asked to go over the alternatives.

Mr. Wedemeyer began with the VT Vantagepoint MP Traditional Growth because it was the only model portfolio that missed the IPS for all of the Morningstar rankings.

Mr. Refai explained conservative allocation typically means that there is about 33% exposure to equities, moderate allocation means there is about 58.5% exposure to equities, and aggressive allocation means there is about 80% exposure to equities. The alternatives presented for the moderate Allocation model portfolio were MFS Moderate Allocation R4, T. Rowe Price Personal Strategy Balanced, and Vanguard LifeStrategy Moderate. They are all model portfolios with their own assumptions. Looking at exposure to US equities in the moderate allocations MFS has 39%, T. Rowe Price has 38%, Vanguard has 36%, and the Traditional Growth Model Portfolio currently in the lineup has 40%. Looking at exposure to non-US equities the Traditional Growth Model Portfolio has 16%, MFS has 14.5%, T. Rowe Price has 21.5%, and Vanguard has 24%. Looking at exposure to Bonds the Traditional Growth Model Portfolio has 38%, MFS has 40%, T. Rowe Price has 35%, and Vanguard has 38%.

Mr. Wedemeyer said from a revenue standpoint Vanguard would have no revenue; the R9 currently in the lineup only has 5 basis points to revenue.

Mr. Refai thought the revenue was around 15 basis points for T. Rowe Price though it would have to be verified.

Mr. Wedemeyer explained it was not a small change in revenue when there was $11M or $12M shifting; even though it was only 5 basis points, the money would move from 5 to 0 basis points with Vangard, so there would be some effect to the revenue. Traditionally ICMA-RC has been able to give a lot of excess revenue back to the members over time. Shifting the funds to T. Rowe Price would most likely increase the revenue that would go back to the members. ICMA-RC was not concerned over this because they were not driving a lot of revenue off of these since the shift down to the R9 classifications.

Acting Chairman Postil said T. Rowe Price was the best alternative for the conservative, moderate, and aggressive; and there was not much difference in the World Stock.

Mr. Wedemeyer responded there was a large difference in the gross expense ratio. Both the T.Rowe Price and MFS portfolios have higher expense ratios than the Vantagepoint fund, and Vanguard has more passive management.

Acting Chairman Postil asked if Vanguards lower fees made up for the lower return.

Mr. Refai answered T. Rowe Price would provide more revenue.

Mr. Wedemeyer suggested the Board review the Long Term Growth portfolio because it has been on the watch list for quite some time, and although it had moved into meeting the IPS for their 3 and 5 year numbers, it had not met the IPS until recently.

Mr. Refai stated the category has about 80% exposure to equities on average. The long term growth has about 74% exposure to equities, MFS has about 73%, T. Rowe Price has about 79.6%, and Vanguard has about 79.55%. When looking at US exposure within equities T. Rowe Price has about 51%, Vanguard has about 48%, MFS has 50.73%, and the Long Term Growth Model Portfolio has 51.77%.

Mr. Wedemeyer explained the gross expense ratios show there is a greater difference between Vantagepoint, MFS, and T. Rowe Price but Vanguard was down at 15 basis points.

Mr. Refai explained going down the list there is increased exposure to equities, and equities typically have more expenses than fixed income.

Mr. Wedemeyer said the question for the Board was whether it was time to make single fund changes or was it time to consolidate the model portfolios into the target date funds.

Acting Chairman Postil stated he no longer thought consolidation was the best option because 9% of the plan's money is in the model portfolios.

Ms. Inorio suggested if they were going to change more than one of the funds it should all be done at one time.

Mr. Wedemeyer answered if the Board gave direction at this meeting the changes would probably occur in May.

Acting Chairman Postil said it looked like T. Rowe Price was the best alternative for the conservative, moderate, and aggressive model portfolios. It did not seem worthwhile to make a change to the World Stock Model Portfolio when considering the fees which would offset any gains.

Ms. Tenace said T. Rowe Price stands out in the comparisons provided by ICMA-RC.

Mr. Wedemeyer said Vanguard was only on the list because of the sensitivity to fees. Vanguard is known for their low fees.

Ms. Tenace asked about the process for notifying members when these changes occur.

Mr. Wedemeyer explained that once he received direction they would make the changes in about 90 days, ICMA-RC tries to follow the ERISA model of getting letters out to members at least 30 days prior to the change occurring.

Ms. Tenace asked if there were any complaints or questions in the past when these changes have been made.

Mr. Wedemeyer stated there was more concern over removing the model portfolios completely and mapping them because it would take 400 positions out and essentially tell the members in those positions that they did not know what they wanted.

Acting Chairman Postil stated there were a lot more questions when a fund is removed instead of replaced with a similar fund.

Dawn Davis advised when the changes were made in the previous year the only questions the retirement office received were asking what the letter meant.

A motion to replace VT Vantagepoint MP Cons Growth R9, VT Vangagepoint MP Traditional Growth R9, and VT Vantagepoint MP Long-Term Growth R9 with T. Rowe Price Personal Strategy Income, T. Rowe Price Personal Strategy Balanced fund, and T. Rowe Price Personal Strategy Growth respectively was made by Acting Chairman Postil, 2nd by Karen Tenace, and passed by a vote of 3 – 0 (Chairman Barkenbush and Dennis Woodrich absent/excused).

Mr. Wedemeyer advised they would now discuss the Goldman Sachs Mid Cap Value A fund.

Mr. Refai explained ICMA-RC follows this fund closely and had several meetings with them last year related to their performance. This fund has about 20 investment professionals working on it. Each sector portfolio manager is responsible only for their sectors, and can make transactions within their sectors without having to check with the portfolio manager. There are 2 co-portfolio managers who are also analysts. The responsibilities of the co-portfolio managers are to manage cash and to make sure the risk of the portfolio is balanced. The performance of the fund has been inconsistent. Last year, in anticipation of rising interest rates they overweighted their exposure to banks. The weakness in commodities and the Federal Reserve's delayed action caused some investors to question whether interest rates would rise, which impacted the banks. The major detractor of the fund's performance was over exposure to financials, particularly banks in anticipation of

higher interest rates. Other sectors that hurt their performance were insurance, and consumer discretionary. ICMA-RC has been meeting and participating in conference calls with Goldman Sachs on a quarterly basis due to their inconsistent and recently poor performance. ICMA-RC continues to have a high level of confidence in the fund, but if that level of confidence were to change the Board would be notified.

Mr. Wedemeyer stated that the Goldman Sachs returns were vastly different from those of the proposed alternative funds. This fund has consistently stayed on the Board's watchlist which is why alternatives were being discussed.

Mr. Postil asked how long this fund had been in the lineup.

Mr. Wedemeyer answered at least 7 years.

Ms. Tenace stated there were 479 members participating in this fund and 0.61% of the plan's assets at $1.46M.

Mr. Wedemeyer agreed stating there were a lot of participants in the fund but not a lot of the plan assets. He asked Mr. Refai to discuss the alternatives.

Mr. Refai explained Vanguard Selected Value is an actively managed fund. It has 3 sub-advisors, each of whom has a portion of the fund to manage. One of them is concentrated, one of them is relative value, and one is deep value. All three sub-advisors fall into the value category. The Victory Sycamore Established Value funds utilize fundamentals as well as quantitative methods, but basically they like to invest the traditional value way. They look for stocks whose prices do not reflect its true value. The Wells Fargo Special Mid Cap Value fund has a similar approach, but they use private equity valuations and the managers are CPAs. It is not based on quantitative information; it is based on fundamentals and quality of management. All three strategies have done well and are less expensive than the Goldman Sachs fund. The Wells Fargo fund has been more consistent in terms of up and down markets. In 2011, a down year, the Russel Mid Cap Value fund had a return of -1.38%, the average fund was down -3.96%, and Wells Fargo returned -0.56%. The Victory funds were some of the better performing funds relative to peers from 2011 through 2015. The Vanguard and Victory funds were both positive in 2011, looking at other years when the market was up significantly, 2012 for example, the Russel Mid Cap value was up 18.51%, the average fund was up 16.6%, the Wells Fargo fund was up 19%, the Victory fund was up 12.12%, and Vanguard was up 15.25%.

Mr. Wedemeyer stated the Board would look at the Victory Sycamore Established Value Y, instead of Value A, for the higher return and lower expense ratio. The gross expense ratio is 10 basis points lower for Value Y than Value A, but both are a little higher than the gross expense ratio for Wells Fargo.

Acting Chair Postil asked if the lower fees for the Victory Value Y fund offset the better performance of the Victory Value A fund.

Mr. Refai stated the lower fees should drive better performance. The Y share class was in the 8th percentile for the 1 year, so it is higher however they do not have historical numbers for it which is why the numbers for the Value A fund were provided as well.

Acting Chairman Postil stated he preferred the Value A fund because they had all the information and it outperformed the Wells Fargo fund on the 1, 3, and 10 year rankings.

A motion to replace Goldman Sachs Mid Cap Value A with Victory Sycamore Established Value A was made by Acting Chairman Postil, 2nd by Betsy Conroy, and passed by a vote of 3 – 0 (Chairman Barkenbush and Dennis Woodrich absent/excused).

Ms. Tenace asked what the VT Plus fund was with 2,400 participants in it.

Mr. Wedemeyer explained it was the stable value fund.

Mr. Refai stated the Plus Fund was ranked first for the 1, 3, 5, and 10 year returns. The fund has about $11B in assets and the fixed income team invests this fund in tiers. Teir 1 is the cash buffer and contains about 10% of the assets. They diversify across different tiers and each tier is further diversified, the first tier is diversified amongst 2 different market funds which is about 10%. The second tier has a short duration focus, so it is still liquid but it earns a little more than cash does, it has about 8% of the assets. The 3rd tier is the ladders maturity tier and is invested in different maturities for different lengths of time; they invest in 6 insurance companies. The 4th tier hired 10 different outside money managers to manage a portion of the tier. The 4th tier represents 57% to 58% of the fund on average. The areas of the portfolio with daily fluctuations are tiers 2 and 4, which are wrapped by insurance companies. The insurance companies allow participants to transact in and out of the fund at book value plus interest on a daily basis. One way to monitor the health of the portfolio is to compare the book value and the market value, which ICMA-RC provides to members on a monthly basis.

Ms. Tenace stated 46% of the assets in the plan are in this fund which seems to be the most conservative and asked if that was normal.

Mr. Wedemeyer answered when the City of Tucson's Bond Portfolio was dissolved and the money was moved into the Plus fund and they have been unable to convince the participants to move the assets out of the Plus fund. The majority of the participants in the Plus fund were over age 60.

D) Educational Programming Report, new enrollment incentive
   1. Number of presentations and attendance during current plan year
   2. Year to date New Enrollments with incentive

Gary Helm said as of 2/1/16, ICMA-RC representatives had completed 10 on site consultation days, 7 on site seminars with 82 attendees, 35 portfolio reviews, 28 financial transactions, 15 new 457 enrollments, 18 contribution increases, and $423K in rollins. Contract to date (10/1/15 to 2/1/15) representatives had completed 46 of the 140 onsite consultation days, 21 of the 70 on site seminars with 224 attendees, 286 portfolio reviews, 93 financial transactions, 81 new 457 enrollments, 72 contribution increases, and $1.7M in rollins.

Ken Wedemeyer discussed the money rolling out of the plan. There was not a large amount sent to Nationwide, there was an increase in the use of the self-directed brokerage accounts (SDBA). The assets in the SDBA increased by about 22%.

Mr. Helm said ICMA-RC has been distributing flyers announcing the $50 incentive for opening a new 457 account, the fliers are sent out at least 3 times a year. A number of tools are sent out in HTML emails to members so they can watch videos about public sector retirement savings, utilize tips and tools to help them save, or manage their accounts online. They have also added communications including links to online retirement calculators because research shows millennials are more apt to use these tools if they are available online. Periodically they put out information on the markets, especially in volatile years, to remind people that saving for retirement is a long term proposition during which there would be up and down times in the market. In down markets it was best for the member to stick to their strategy because a volatile market cannot be predicted. They do not want to look at investment in any category on a short term basis; ICMA-RC also puts out a communication showing that downside risk can be reduced or negated by holding a stock for the proper length of time. Over the course of 1 year the market range can go from 162.9% to -67.6%, but over 20 years it ranges from 18.3% to -1.3%. Unfortunately we live in an instant information society where people shift to the plus fund when the market goes down. This creates bad behavior where people buy high and sell low.

Mr. Wedemeyer asked if these emails could be sent to all City employees so that even non-participants can receive the information.

Karen Tenace asked what the hesitation to send them to all City employees was.

Mr. Wedemeyer answered it was a system constraint where the HTML insert would not go through the system.

Mary Inorio confirmed there were problems sending HTML emails.

Ms. Tenace stated she receives HTML emails from other training sources.

Betsy Conroy stated there were issues with different versions of internet browsers, and suggested placing the graphics on a webpage and sending a link to the webpage in an email.

Mr. Wedemeyer answered they would look into delivering messages in that way.

Ms. Conroy stated the links to the webpages could also be posted on the City's intranet.

Mr. Wedemeyer advised soon they would have a full communications calendar for the next 2 quarters for the Board's review.

Ms. Conroy answered it would help with enrollments because Ms. Inorio has one chance to reach employees as new hires, some of them are nervous because they may not have had a salary for a while, but after a few months they might be ready to enroll.

Ms. Inorio said the Human Resources department provides her with a roster for new employee orientations and she uses it to follow up with new hires that did not enroll at orientation.

Mr. Wedemeyer explained the 457 plan balance was $232M, and it was $244 at the end of January, showing the market is still volatile. That the percentage of funds in the Stable Value fund had not increased was surprising due to behavioral finance factors. The plan returns over 1 year were above the benchmark, over 3 years the return was 6.7% across the plan. The managed accounts returned 9.9% over 3 years.

E) Election Process for Expiring Board Member Term
   1. Selection of Election Committee Chair
   2. Announcement, Process Timeline

Silvia Navarro stated board member Dennis Woodrich was currently serving on an expired term. The Board needed to select the chair of the election committee.

Acting Chairman Postil explained it was usually the other elected member who served as chair of the election committee. The Board would have to appoint Acting Chairman Postil; he would then select a committee, an announcement would be posted soliciting interested members as candidates giving them a window of time in which to apply, and then an election would be held by mail.

Ms. Navarro advised there was a Board document that indicated the elected board member could be an active or former employee as long as they are plan members. If Mr. Woodrich were reelected all of the elected members would be retirees.

Karen Tenace asked if that information would be disclosed in the announcements regarding the election.

Mr. Postil answered a brief biography was provided for each candidate. The biography would include whether they were an active employee or not.

Neil Galassi asked if it would be worth it to include the current makeup of board members.

Betsy Conroy had always assumed one of the elected members had to be a current employee.

Ms. Tenace replied that was true for the Tucson Supplemental Retirement System Board of Supervisors.

The Board decided to disclose the employment status of the elected Board members currently serving on the ballot.

Acting Chairman Postil said in the previous 2 elections the incumbents ran unopposed.

A motion to nominate Acting Chairman Postil as Chair of the election committee was made by Betsy Conroy, 2nd by Karen Tenace, and passed by a vote of 3 – 0 (Chairman Barkenbush and Dennis Woodrich absent excused).

F) Call to Audience

Silvia Navarro gave a brief report on the ICMA restatement of the 401A plan. Staff and Council are researching whether the restatement needed Mayor and Council approval as well as Board Approval. If it could be approved by the finance director or the plan coordinator it would not need to be brought before the Board. If it was necessary to bring it to the Board and then Mayor and Council for approval, a special meeting would have to be held to meet the IRS deadline of 4/30/2016.

G) Adjournment

A motion to adjourn was made by Karen Tenace, 2nd by Betsy Conroy, and passed by a vote of 3 – 0 (Chairman Barkenbush and Dennis Woodrich absent/excused).

Meeting adjourned at 11:05 AM

Approved:

Steve Postil	6/3/2016		6/3/2016
Steve Postil, Acting Chair Chairman of the Board	Date	Neil S. Galassi, CPA Pension Administrator	Date