

MARIN COUNTY DEFERRED COMPENSATION COMMITTEE

Marin County Civic Center
3501 Civic Center Drive
San Rafael, CA

Wednesday, December 4, 2013
10:00 A.M.
County Counsel Conference Room
Room 275
Regular Meeting

MINUTES

1. Call to Order

The meeting was called to order at 10:07 a.m.

2. Roll Call

Present: Roy Given, Director of Finance and Chair; Jeff Wickman, Retirement Administrator; Dan Eilerman, Deputy County Administrator; Scott Beseda, Marin Courts Representative; Alexis McBride, Retiree Representative; Stephen Raab, County Counsel Representative; Shanea Thompson, MAPE Employee Representative; Olga McKenna, Employee Representative

Absent: None

Others in attendance: John Kendall, Western Region Managing Director, Nationwide; Jim Laffoon, Retirement Specialist, Nationwide; Rob Bilo, Regional Vice-President, Nationwide; Jake O'Shaughnessy, Consultant, Arnerich Massena

3. Open Time for Public Comment

None

4. Approval of Minutes - Meeting of August 28, 2013, and Meeting of November 4, 2013 (Action)

MOTION by Dan Eilerman to approve minutes of August 28, 2013 and November 4, 2013

Second by Alexis McBride

AYES:ALL

5. Nationwide Retirement Solutions

John Kendall Reviewed the Third Quarter Report and Update

Q3 2013 NRS Plan Review and Report:

- Participant asset distribution largely remained flat, except for continued movement out of bonds and into domestic and international equities
- County 457 Plan added 6 new participants. However the dollar amount for deferrals dropped, which will be a trend as older workers retire.
- NRS achieved 13 of 14 performance service levels: missed Withdrawal deliverable.

Ongoing items:

- Nationwide sent a letter dated 11/8/13 to participants notifying them of the upcoming revenue distribution
- Roth payroll test files were sent 11/16/13
- December 2013 revenue distribution is pending notification of the final amount by the chair, who has estimated \$225,000 will be returned to participants
- Nationwide is on track to provide a fee disclosure report in February 2014 after review in January.

Jim Laffoon Reported on Activities for the Third Quarter

Q3 2013 NRS Participant Review and Activity Report:

- 138 One-on-one appointments
- 13 Workshops attended by 23 employees: Enrollment, Closing the Retirement Gap, Approaching Retirement, Annual Investment Check-up, and Navigating the Website
- 25 New Enrollments
- Participants moved from the Conservative portfolio to the Moderate and Moderately Conservative portfolios to avoid exposure to bonds.
- There was activity in purchasing service credits.

Announcement by Rob Bilo, Regional Vice-President, Nationwide

Rob Bilo announced that he will be taking a new position with Nationwide and will no longer serve as Regional Vice-President. His new role will be as the head of the Business Development Group and National Strategic Relations, where he will be spending much more time in the field. He expressed his gratitude to those he had worked closely with over the past nineteen years and looked forward to his continued work with Nationwide. The committee will be notified of his replacement.

6. Arnerich Massena & Associates (Action)

Quarterly Performance Review QE 9/30/13

Jake O'Shaughnessy reported that bonds continue to perform poorly and that many bond investors have been shortening maturity or selling and buying equities. Active bond funds are still performing better than passive. Investors are finding US stocks attractive. Also, the dollar continues to strengthen relative to the euro. Interest rates are expected to rise as the Fed winds down quantitative easing.

Jake O'Shaughnessy reviewed the fund managers:

Fixed

The Vanguard Total Bond Index Fund is lagging many actively managed bond strategies due to its passive nature and not being able to position its portfolio against rising interest rates.

Balanced

The conservative portfolio is underperforming the Morningstar Conservative Peer Group.

Large Cap

American Funds Growth Fund of American recovering but not sufficiently to remove it from the watch list. Dodge & Cox stock is performing very well.

Mid Cap

All funds are performing well.

Small Cap

Allianz is underperforming and a heightened level of diligence is needed. Watch status should be considered. The chair noted that it now fits the criteria for being placed on watch. Dim US Microcap is showing attributes of growth, but will drift back and forth between growth and value.

In the Trailing Period review, liquid savings had scant returns. Stable value had a 1.4% annualized net rate of return, which is better than money market funds.

Status of Funds on Watch

Jake O'Shaughnessy suggested that Alliance NFJ Small Cap Value Fund be placed on watch (Action)

MOTION by Alexis McBride to place Alliance NFJ Small Cap Value Fund on watch
Second by Dan Eilerman

AYES: ALL

Review of Nationwide Quarterly Fee Report and Service Level Report

Jake O'Shaughnessy said Arnerich Massena reviewed the report and that it appeared satisfactory. There was one \$200 miss related to missing the deadline for a distribution.

Menu Structure and Manager Reviews of Large Cap Growth & Mid Cap Value Options

Jake O'Shaughnessy presented a menu structure and review of large cap growth and mid cap value options to the Committee with the intent of reducing the number of investment options offered in the plan. After discussion, the Committee took the following actions:

- From the large cap plan options, the committee chose Fidelity Contrafund over American Funds Growth Fund of America (Action)
MOTION by Dan Eilerman to replace the American Funds Growth Fund of America with the Fidelity Contrafund-as soon as administratively feasible.
Second by Shanea Thompson
AYES: ALL
- From the mid cap plan options, the committee chose Hotchkis & Wiley Mid Cap value over Fidelity Low Priced Stock Fund (Action)
MOTION by Alexis McBride to replace the Fidelity Low Priced Stock Fund with the Hotchkis and Wiley Mid Cap Value Fund as soon as administratively feasible.
Second by Olga McKenna
AYES: ALL

Pax World Balanced Socially Responsible Fund Replacement Search

The County Plan currently has two socially responsible funds, Pax World Balanced and Calvert Social Investor. Jake O'Shaughnessy presented a review of four socially responsible funds, including the funds currently in the County plan, in order for the committee to choose one to be the sole socially responsible option. Even though socially responsible funds traditionally underperform, the committee decided to retain a socially responsible option due to participant interest.

- The committee chose the Calvert Balance Fund (Action)
MOTION by Alexis McBride to replace the Pax World Balanced Fund and the Calvert Social Investor Equity Fund with the Calvert Balanced Fund as soon as administratively feasible.
Second by Jeff Wickman
AYES: ALL

7. Items for Next Agenda

- Renewal of Fiduciary Liability Insurance 1/15/14 has been finalized, new expiration date is 1/14/17.

8. Schedule 2014 Meetings

The 2014 meetings were scheduled as follows:

- Friday, February 28, 2014 at 10:00 a.m. in Room 275 – Scheduled but had to be canceled due to scheduling difficulties
- Thursday, May 29, 2014 at 2:00 p.m. in Room 275
- Wednesday, August 27, 2014 at 10:00 a.m. in Room 275
- Wednesday, December 3, 2014 at 10:00 a.m. in Room 275

9. Deferred Compensation Committee Matters (Action)

Further Discussion of Vendor Presentations from Meeting of November 4, 2013

For the RFP discussion, Counsel, with support of the chair, withdrew the invitation for Nationwide to be present at the meeting, informing them they had the right to remain as members of the public. The Nationwide attendees decided to leave the meeting.

All committee members agreed that both Nationwide and Great West presentations left positive impressions. The chair urged the committee to make the selection at the current meeting rather than postpone it. Once again the risks and rewards of converting to a new provider were discussed including the difference between Nationwide and Great West in the amount of administrative reimbursement credit available to the County in the desired investment menu implemented and the potential issues associated with eliminating the Liquid Savings and CD options from the Plan. If a transition to Great-West were to take place, the County would not be able to utilize the current 'grandfathered' share class of the Galliard Stable Value Fund which only existing Nationwide clients can utilize. This potential stable value change to a different share class of the Galliard Stable Value Fund would result in either reduced revenue sharing credits to the Plan or increase expenses to participants. The liquid savings and FDIC insured CD options would probably be closed to new investment if a conversion were to occur. The risks and the difference in net participant costs (considering excess revenue reimbursements) were a foremost concern, and for most of the committee members they were not justified (Action) MOTION by Dan Eilerman to select Nationwide as Marin County Deferred Compensation Plan provider.

Second by Olga McKenna

AYES: Given, McKenna, Eilerman, McBride, Beseda, Raab

OPPOSED: Wickman

(Committee member Thompson left early and did not vote on this item.)

- Jake O'Shaughnessy will notify both vendors via standard acceptance/denial letters regarding the Committee's decision to stay with Nationwide.
- Jake O'Shaughnessy and Stephen Raab will put the new Nationwide contract together by 12/31/13.
- The contract will be retroactive to 1/1/14
- Both Stephen Raab and Scott Beseda will sign the acceptance and denial letters to the vendors

10. Adjournment

The meeting adjourned at 12:15 p.m.