

MARIN COUNTY DEFERRED COMPENSATION COMMITTEE

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

Thursday, May 29, 2014

2:00 P.M.

County Counsel Conference Room
Room 275
Regular Meeting

MINUTES

1. Call to Order

The meeting was called to order at 2:10 p.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; Olga McKenna, Employee Representative

Absent: Shanea Thompson, MAPE Employee Representative;

Others in attendance: John Kendall, Western Region Managing Director, Nationwide; Ed Malone, Program Director, Nationwide; Jake O'Shaughnessy, Consultant, Arnerich Massena

Roy announced that Alexis McBride would be leaving to study in London; Roy presented Alexis with a certificate of appreciation for serving on the Deferred Compensation Committee.

Roy Given announced that a Special Meeting of the Deferred Compensation Committee will be held on June 26th, 1:30PM – 2:30PM to approve the new Nationwide contract. Once the contract has been approved by the committee it will be brought to the Board of Supervisors for their approval. Roy Given requested that if committee members have questions regarding the new contract, but will be unable to attend the special meeting, please submit their questions in writing before the June 26th meeting. John Kendall stated that he will have a draft of the Nationwide contract by early next week.

3. Open Time for Public Comment

None

4. Approval of Minutes - Meeting of December 4, 2013 (Action)

MOTION by Jeff Wickman to approve minutes of December 4, 2013

Second by Dan Eilerman

AYES:ALL

5. Nationwide Retirement Solutions

John Kendall, covered two Quarters, Q4 2013 and Q1 2014;

Q4 2013 NRS Plan Review and Report:

- Market growth was up 8 million
- Payroll for this period was 2.5 million
- Market growth of 2.2 million
- Fixed income cash was equal

- 1% uptake in our asset allocations across all plans
- 24 new participants were added
- Jim Laffoon enrolled 20 of the new participants, the other 4 came from new employee orientations

Q1 2014 NRS Plan Review and Report:

- Market growth was up .4 million, from 2.2 million to 2.6 million
- Payroll for this period was 2.6 million
- 24% to 23% of assets, people were moving from staple value funds and into asset allocation funds
- The market was flat regarding people going into specific allocation funds, 1% to 1.5%
- 32 new participants were added
- Jim Laffoon enrolled 17 of the 32 participants
- The following Nationwide website enhancements have been added: 1) rotating banner, 2) Google search, 3) customizable content on the homepage. In addition, Jim Laffoon's photo and bio will soon be added to the contact page.
- Changes to the statements will be updated for Q2
- Roth 457 will be targeting for the quarter, should have by August 2014
- De minimis and achievement process will be revisited once the new contract and fund lineup has been completed

Quarterly Update

Ed Malone reported that his team has been filling in for Jim Laffoon; they have been meeting with participants, and holding workshops. Ed reported that the new Roth program was up and running in the 1st quarter; Nationwide held 14 Roth workshops which were well attended. In addition, several more Roth workshops will be scheduled throughout the year. Ed Malone gave an update on Jim Laffoon who is still recovering from his back surgery. Ed stated that Jim will be out a few more weeks. Roy Given asked Ed Malone to please give Jim Laffoon our best and we hope he recovers soon.

Marin County Fee Disclosure Summary

John Kendall distributed a two page printout on the Nationwide Fee Disclosure and reviewed the content. Roy Given requested that the fee disclosure be made available to participants upon their request, all agreed. Roy suggested that Stephen Raab, Arnerich, and Nationwide work together to create a fee disclosure that will go on the internet and into a handout that will be made available to anyone who would like one. Jeff Wickman suggested that the fee disclosure be added to the fund profile. Roy Given asked what the numbers in the summary were based upon; John Kendall stated that the numbers were based on the assets of 12/31/13. Roy requested the information be notated in the fee disclosure summary as to origin of the numbers. Roy thanked Nationwide for going back to January 1st to retroactively apply the reduced fee for administrative services and agreed as of the 1st quarter to go with the new fee schedule; this will make a large difference on what the County projects it will be able to return to the participants.

6. Arnerich Massena & Associates

Quarterly Performance Review Q4 2013 & Q1 2014

- Jake O'Shaughnessy asked if there were any specific questions regarding Q4 2013, if not he would move on to Q1 2014; no questions were asked. Jake began his discussion on Q1 2014 with a market overview. He noted a trend reversal in what we have witnessed over the last several years with regards to interest rates. Towards the end of 2013 the ten year US Treasury rate rose to nearly 3%, this was a much higher level than we have observed over the last few years. In Q1 2014 the economy softened, the reasons given were due primarily to weather; Jake stated it is yet to be seen if the

softening of the GDP was due weather or economic slowdown. Markets are expecting a snap back in demand in Q2 based on repressed demand in Q1. During Q1 the interest rates fell on ten-year US Treasuries to a rate of 2.7%. When rates fell; bonds rose in value during Q1. Global bonds versus US bonds had a very positive Q1; global bonds were up 2.4%. Ninety-day T bills and Money Markets remain at zero return. US equities performed well.

- Next Jake O'Shaughnessy reviewed the Fund Manager Review Summary from the quarterly report and how they relate to the new composition of the proposed investment changes:

457

As of 3/31/2014, the 457 Plan had just short of \$200 million

Loans

Money market funds, CD's, liquid savings and stable value fund balances remain low.

Fixed

Hotchkis and Wiley High Yield is doing well compared to other high yield funds. The plan is to remove this fund from the core menu and allow it to only be accessed thru the pre-mixed portfolios.

Balanced

Five risked based portfolios, ranging from most conservative to aggressive, will be reduced down to three. This is a sizable chunk of the plan and how we roll this out is going to be important.

Large Cap, Mid Cap, Small Cap, and International Funds:

Will remain the same

Real Estate and Commodity Funds:

Real Estate and Commodity Funds will no longer be offered as stand alones, but will be offered as portfolio diversifiers within the pre-mixed options.

Status of Funds on Watch

Alliance NFJ Small Cap Value Fund is still on watch and will continue to be until the performance related issues are addressed to the Committee's satisfaction.

Five Risked Based Funds Reduced to Three:

All of the upcoming changes will be communicated in a timely matter to participants via the Nationwide website and by mail; in addition an informational brochure with all of the changes will be available for participants.

MOTION by Dan Eilerman to reduce the five risked based funds down to three.

Second by Jeff Wickman

Opposed: Stephen Raab

Move Funds from Lineup and use in Pre-Mixed Portfolios:

MOTION by Dan Eilerman to take the following four funds out of the lineup and use only in pre-mixed portfolios:

- Hotchkis and Wiley
- Cohen & Steers
- PIMCO Commodity
- Vanguard Inflation-Protected

Second by Jeff Wickman

AYES: ALL

Strategy for Mapping Funds:

MOTION by Jeff Wickman to map the funds as follows:

- Conservative to Conservative
- Moderately Conservative , and Moderate to Moderate
- Moderately Aggressive, and Aggressive to Aggressive

Second by Olga McKenna

AYES: ALL

Jake O'Shaughnessy stated that we also need to vote on where we want to map participants who are in Specialty Core (Commodity, Real Estate, & Tips). Roy Given proposed that before we map it, we get more information on the number of participants and dollar amounts from John Kendall and vote at the next meeting on June 26th.

Administrative Details for Line-up's and Share Classes

Jake O'Shaughnessy suggested that the Chair, Roy Given, work out the administrative details on line-up's, and share classes. Roy Given stated that once the details have been worked out, he will email them to everyone in committee.

MOTION by Roy Given that the administrative decisions for line-up's and share classes be made by the Chair; upon completion he will email them to the committee members for review.

Second by Alexis McBride

AYES: ALL

7. Items for Next Agenda

- Mapping of Specialty Core (Commodity, Real Estate, & Tips)

8. Upcoming Meetings:

- Special Meeting of the Deferred Compensation Committee for Thursday, June 26, 2014, at 1:30 p.m. in Room 275 was canceled; the Nationwide contract was still being worked on
- 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)

10. Adjournment

The meeting adjourned at 3:55 p.m.