

DEFINED CONTRIBUTION PLANS TRUSTEE MEETING MINUTES
Wednesday, May 25, 2016

The SPSP/401(k) Trustee Board of the City of San Diego held its regularly scheduled meeting in the Retirement System Boardroom. Location: 401 West A Street, 3rd Floor Boardroom, San Diego, California. The meeting was called to order at 1:34 p.m. by Estella Montoya.

Trustees Present: Julio Canizal, Gail Granewich, Mark Hovey, Tracy McCraner
Trustees Absent: Tom Williams (Chairperson)
Staff present: Estella Montoya, Nancy Stadille, Gilda Smith, Bill Gersten
Presenters: Bill Cottle, Denise Jensen

1. ACTION ITEMS

- A. Elect Chairperson Pro-Tem for today's meeting Estella Montoya

Tom Williams has left City employment and vacated his position as Trustee and Chairman of the Defined Contribution Trustee Board. Ms. Montoya called for nominations. Mr. Canizal nominated himself.

MOTION TO NOMINATE JULIO CANIZAL AS CHAIRPERSON

PRO-TEM:

Julio Canizal

SECOND:

Gail Granewich

Approved (3-0), Julio Canizal abstained

- B. Elect Chairperson for new two year term beginning July 1, 2016 Estella Montoya

In addition to a Chair Pro-Tem for today's meeting, the Chairperson for the Board is vacant. Ms. Montoya called for nominations. Ms. Granewich nominated Ms. McCraner.

MOTION TO NOMINATE TRACY MCCRANER AS CHAIRPERSON:

Gail Granewich

SECOND:

Mark Hovey

Approved (3-0), Tracy McCraner abstained

Staff will brief Ms. McCraner on Robert's Rules. The Chairperson serves a two year term starting July 1, 2016.

- C. Dispense with the reading and approval of the minutes of February 24, 2016.

MOTION TO ACCEPT THE MINUTES OF February 24, 2016:

Tracy McCraner

SECOND:

Gail Granewich

Approved (3-0), Julio Canizal abstained

- D. Review and approve FY2017 Trustee Board Budget Estella Montoya

The FY2017 budget has a \$4,661 decrease from previous year. There was change in fringe expenditure and change in personnel expenditure. There were significant amount of vacancies and the section has reorganized and reclassified positions in the Benefit division and support of the Trustee Board. This budget is budgeted and charged to Risk Management

MOTION TO APPROVE FY2017 TRUSTEE BOARD BUDGET:
SECOND:
Approved (4-0)

Gail Granewich
Mark Hovey

2. STAFF REPORTS AND INFORMATIONAL ITEMS

- Fourth Quarter Activity Report–Wells Fargo

Ms. Jensen began on section 1, page 2–3 highlighting the technology within the Wells Fargo banking enterprise. Institutional Retirement Trust (IRT) is able to leverage this technology and demonstrate their commitment in the industry and improving the participant experience. Social norming is on the horizon. “People like me,” people like to compare themselves, will be launched later this year. For example, the program will indicate how much someone in their age group is saving for retirement. Wells Fargo is also expanding Spanish language capabilities on mobile devices. Mr. Hovey asked about My Retirement Plans on the website. Ms. Jensen stated the retirement site is mirroring what is on the banking site; it is the same information.

Ms. Jensen reminded the Board to refer to the revised page 1 of Section 2. There was slight negative growth for all plans together. The number of outstanding loans and the outstanding loan amount has decreased. She proceeded to discuss participant access statistics on page 26 of the Wells Fargo report. There were 6945 distinct users. Ms. Jensen emphasized that more than 50% of participants that have an account balance accessed their account one way or another within the first quarter. She reminded the Board that participants only make investment changes through Wells Fargo. City employees make (contribution amount and beneficiary) changes on Self-Services. Returning to Section 2, page 1, Ms. Jensen stated Q1 was the first quarter with the recent plan changes. There were 17 partial distributions from the SPSP and one rollover into the 401(k). Page 43 displayed the distributions by type. Inactive is terminated participants. Forty one participants have taken advantage of the partial distribution change. To review the City’s diversification trend, Ms. Jensen went back to 12/31/2011 and trended through 3/31/2016. There is a positive trend of diversification moving out of the Managed Income Fund. The largest uptick occurred in 2011–2012 when the Qualified Default Investment Alternative (QDIA) changed.

Section 3 disclosed the fee summary for 2015. The total Administrative Fee that participants paid to Wells Fargo in 2015 was \$1,346,942.38. This amount is about \$250,000 less than 2014 fees and will continue to trend down since the fee was reduced (to 11 bps) January 1, 2016.

- Fourth Quarter Investment Report–Milliman

Mr. Cottle began on page 12 of his Investment Report. He stated that Boston Trust had outstanding performance during a down cycle for small cap stocks. He referred to page 37 of his report for more historical data. There is improvement but he would not take Boston Trust off the Watch List because the improvement has been short-term. Mr. Cottle returned to page 13, Oakmark Equity fund had underperformance for the quarter and through the seven year time period. He referred to pages 22 and 43 for more historical benchmark data. This fund was discussed in detail during the last meeting; the fund is holding more cash. Mr. Cottle returned to pages 12–13. T. Rowe Price was below benchmark for quarter, but it is fine. The other funds were close to their benchmark.

- Department of Labor Final Fiduciary Rule

Mr. Cottle proceeded to review the Milliman Client Action Bulletin, DoL Issues Final Rule on Fiduciary/Conflicts of Interest. The new rule redefines a fiduciary; particularly when there is a rollover of assets from an existing investment to another investment. If there is advice given on the rollover assets that advice must be from a fiduciary.

Mr. Cottle stated he recently participated in a presentation from Financial Engines, an investment advisory service. They could be a good source for investment information for participants. Mr. Cottle recommended the Board look more in depth into this area.

Milliman will have its' annual education conference October 12-14. Mr. Cottle stated it would be a great training session for a new Trustee. Staff will forward the conference information to the Board.

Mr. Cottle informed the Board that Jim McKay, Managed Income Fund, notified him that less than \$10 million has come into the fund. The cash level for the fund is slightly higher than target.

- Mr. Hovey left the meeting at 2:00 p.m. Ms. Granewich stepped out at 2:01 p.m. and returned 2:04 p.m.
- Mr. Canizal requested the agenda for the Milliman conference. Staff will provide the Board with a copy of the agenda. Mr. Cottle stated the conference would serve as an Investments 101 for new Board members. Ms. Montoya reminded the Board that Staff is researching training for Board members relative to the members' experience with finance and investments. Additional information will be provided within the next two meetings.

3. COMMENTS FROM TRUSTEES, STAFF, ADMINISTRATOR, ATTORNEY

- Ms. Stadille reminded the Board of the items located within the Miscellaneous tab of their Trustee binder; individual reports from our collective investment trusts.
- Ms. Stadille reminded the Board there will be an election for the vacant 401(k) Trustee seat. Hopefully the election will be held late August, early September.

4. PUBLIC COMMENT

None

The next meeting is scheduled for August 31, 2016.

Meeting adjourned at 2:09 p.m.

Backup documentation is available at Risk Management.