

**PLACER COUNTY DEFERRED COMPENSATION
COMMITTEE MEETING MINUTES**

Wednesday, June 22, 2016

2:30 pm – 4:00 pm

County Executive Office – Conference Room 1

175 Fulweiler Ave

Auburn, CA 95603

Present: Andy Sisk, Auditor-Controller-Chair; Andy Heath, Assistant County Executive Officer; Lori Walsh, Human Resources Director; Jenine Windeshausen, Treasurer Tax Collector; Matt Bartholomew, PPEO Representative; Noah Frederito, DSA Representative; Paul Jacobson, Retiree Representative.

Absent: None.

Other Attendees: Jerry Carden, County Counsel; Ann McNellis, Human Resources; Jason Hughes-Education Specialist, MassMutual; Ed Riley-Investment Consultant, MassMutual; Bob Gleason-Relationship Manager, MassMutual

Call to Order

Meeting called to order at 2:31 pm by Andy Sisk, Chair.

Public Comment

None.

Hardship Requests

Discussion of hardship requests submitted since last meeting

There were no hardship requests since the last meeting.

Final Meeting Schedule

The draft meeting schedule for the remainder of 2016 was reviewed by the Committee. Noah was unavailable for the August, October and December. He is generally not available the first and third Wednesday of the month. Andy will look for other dates for August, October and December as he would prefer to have DSA represented. Draft schedule accepted as final with the exception of the months noted above.

MassMutual Annual Report

Presentation by MassMutual

Bob Gleason handed out a 1 page flyer titled An Overview of the Department of Labor's New Fiduciary Rule for the Committee's reference. The new rule goes into effect January 1, 2018 for plans subject to ERISA. Placer County is subject to ERISA but does follow ERISA practices. Bob also noted that the new rule does not apply to MassMutual as they do not give advice or act in an advisory capacity.

Andy noted that Bob will be sending him a Best Practices Guide for Plan Sponsors as soon as they become available. Andy also noted that he had received a copy of the MassMutual Fiduciary Guide from Bob Gleason and will forward a copy to the Committee after the meeting.

Lori asked who the Plan Sponsor for our plan was. Placer County is the Plan Sponsor; the Deferred Compensation Committee is responsible for the oversight of the plan. MassMutual is administrative in nature.

Bob went over the 401K plan annual review. Plan assets are down \$1.6 million due to negative cash flow to the plan and negative returns due to market volatility. The General Account has grown from 29% of the plans assets to 33%. That growth and the positive returns associated with it help to offset some of the losses from other investment plans.

Bob noted that plan enrollment is down significantly and asked the Committee if they knew why. Jason stated that he heard that employees were told at New Employee Orientation that they must use CalPERS for in-lieu of medical payments as well as the cafeteria plan. Human Resources to look into that as there are no restrictions. Jason also noted that he was notified by Human Resources a few months ago stating that they would no longer be sending email blasts to participants to notify employees as to when he would be onsite. Jason would need to send his schedule to be posted on myPlacer. The Committee was unaware of this change by Human Resources. Lori Walsh to look into the issue and follow up with the Committee.

Bob further reported that the 401k plan has a total participant count of 1049, up less than one percent over last year. Of the 1049 participants 34% are invested in a single investment option with most of them in the General Account. There are very few participants electing to use the target date funds.

Bob went over the participant overview, showing the number of participants by age group and the average account balance by age. The largest numbers of participants are in the 50-64 age group, they also have the largest account balances and make the largest contributions into the plan.

Lastly, Bob noted that there are 106 participants with loan balances, a decrease of 4% over the previous year. The average loan balance is in the \$7,000-\$8,000 range which is slightly below the industry average of \$8,873.

Jason Hughes presented the Education Overview to the Committee. Jason noted that there were more new participants in the 401k plan than the 457 plan, most likely attributed the new pension formula. For calendar year 2015, he met with 401K participants a total of 140 times and 457 participants, 88 times to discuss their investment options. Of those meetings 64% of 401k participants took action to make changes to their plans as compared to 70% of 457 plan participants. For the 2016 calendar year, to date, he has met with 401k participants 40 times and 457 participants 30 times. Action rate for 2016 to date is 71% on 401k and 85% on 457.

Jason distributed a copy of the EZ Enrollment form given to Human Resources last year and discussed education opportunities available to plan participants.

Lori inquired about getting information on participants on demand instead of quarterly. She also noted that Placer County would like copies of participant notifications as we currently do not receive them. Bob to follow-up with Ann McNellis on getting that information to us in a more-timely manner. Ann noted that often when Human Resources requests participant information, they are told that “The system is not set up for that.” She stated that as a participant, she wanted to stop receiving a paper statement and was told that the system was not set up to handle that request. Bob reminded the Committee that Placer County is still on the old Hartford contract and operating platform. MassMutual has its own operating platform that would address some of these issues, but would require a new contract with MassMutual and we could no longer get the General Account as that is no longer offered anywhere.

Lastly, Bob discussed the Fee Schedule outlining the fees and charges for plan operation and administration as well as fund level fees. Matt asked how it was determined which class of fund we go into out of all the different classes. Bob noted that Placer County’s share classes don’t have any front end loads or redemption fees and they provide some sort of revenue sharing to MassMutual. MassMutual does not charge Placer County for their services; they are paid through revenue sharing. He also noted that not all funds have a 12b-1 fee but most have a revenue sharing agreement with MassMutual. Jenine requested information on the revenue sharing agreements showing what MassMutual gets per plan/option. Jenine also requested a prospectus on the General Account as hers was from 1995. Bob stated that those prospectuses were replaced by disclosure documents and would be happy to send them to the Committee.

Bob also noted that our plan lineup was due to be refreshed. MassMutual would welcome the opportunity to meet with us in the future to discuss our line up and provide recommendations for funds in need of replacement.

Due to time constraints, the 457 plan annual review documents were distributed to the Committee but not discussed as they are similar in nature to the 401k plan annual review.

Ed Riley discussed the Investment Performance Review. He noted there were 2 periods in the last 11 months where the market was spooked due to the central banks, China and commodity price collapses. There have been two minor corrections since then.

Due to decline in interest rates for the quarter, bonds went up significantly and have outperformed stocks. US stocks have outperformed International stocks during the past year.

Ed noted that the Harford Capital Appreciation Fund, the second largest investment option in our plan, has gone from very good returns to very bad returns. Ed suggested that most Plan Sponsors would be looking to replace this fund in their line up or at the very least monitor it very closely. Other funds he would suggest either replacing or monitoring are the Highland Premier Fund, Artisan Mid-Cap and Goldman Sachs Mid-Cap. Target date funds are not being used by new County employees, probably due to the new retirement tier and the fact that the funds’ earnings projections do not extend out past 2045. MassMutual would be happy to meet with the Committee with recommendations for replacement large cap, mid cap and target date funds for those that are poor performers.

Noah inquired as to when MassMutual would stop offering these poor performers. Bob explained that for new plans they would not be offered. For existing plans like ours, they would bring them to our attention and we must decide whether to keep or drop.

Noah also inquired as to how outdated our lineup was. Ed stated that it is “due to be refreshed”. Bob also stated that it is up to us to decide how often we would like to review. Jenine stated that she thought we should look at the whole lineup.

Next Scheduled Meetings

Wednesday, July 13, 2016, 1:30 - 3:00 pm in Auditor-Controller Conference Room

Please note time/location change from last meeting.

Adjourn

Meeting adjourned at 4:15 pm.