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**SAN MATEO COUNTY
 DEFERRED COMPENSATION COMMITTEE MEETING
 May 18, 2017 MINUTES**

Committee Attendees: Donna Vaillancourt, Lillibeth Dames, John Kovach (briefly before departure), Bridget Love (by phone), Steve Perry, and David Whisman.

Absentees: Joe Demeo, Glenn Kulm, Bill Tugaw and Michael Wentworth

Other attendees: Jay Castellano, Lisa Okada, Marife Viola, Paul Hackleman, (SST Benefits), Vince Learned, NFP, Bob Gleason, Jeff Blanchard (by phone), Patrick Washington (MassMutual).

The meeting was convened at 9:08.

Description of Item for Discussion	Action Taken by Committee
Approval of May 18, 2017 Meeting Minutes	<p>Before the minutes were reviewed, John Kovach addressed the Committee and communicated his recent promotion which will require his departure from the DC Committee. John thanked the Committee and indicated he learned a lot from the processes the Committee followed. He also indicated that a replacement had been identified but no formal decision had been finalized. The DC Committee thanked him for his service. John left the meeting.</p> <p>The regular meeting minutes of February 16, were approved unanimously without change.</p>
Investment Review by MassMutual	<p>The agenda item was taken out-of-order to permit Jeff to communicate this item and then leave the meeting. He indicated that the first quarter of 2017 was a strong one both in the macro economy and in the County's plan. Growth outperformed value, which was a change from last year when small cap value outperformed large cap growth. Car loan financing tightened and household debt remained low. Healthcare and Tech were both up, there was better stability in Europe, Global markets were strong and two additional rate hikes were still anticipated from the Fed. High yield was strong and all of the County's funds were in the top quartile or third. MFS, which had been on the watch-list was performing well and if performance continued, this fund would likely come off the watch-list when SST performs its review in November. The Committee accepted the report.</p>
Status Update <ul style="list-style-type: none"> • Benchmark of Services (\$10,000 Penalty) • Paperless Statements 	<p>Bob reported that MassMutual had been unable to obtain retirement information from the County and therefore the benchmarking had been problematic. Nevertheless, participation had increased significantly. There had been 958 new enrollments, 387 (40%) were attributable to auto-enrollment. The remainder, 571 (60%) had been the result of Patrick's outreach. Total participation had increased from 56% on 12-31-15 to 72% on 3-31-17. He argued that this improvement should mean that MassMutual had met its targets and no \$10,000 penalty would be</p>

	<p>warranted. The Committee unanimously agreed. For upcoming years, the Committee wanted to continue its focus on improvements in participation, contribution and diversification.</p> <p>Bob reported that MassMutual moved to a paperless statement system where individuals received their quarterly statements in their website accounts. Neither MassMutual nor the County received negative feedback as a result of this change. The Committee unanimously agreed that it would no longer need to keep statement mailouts as part of the performance standards.</p>
Communication on Default Investments	<p>Bob reported that Paul had drafted and MassMutual had edited drafted communications to two groups of individuals who were in the SAGIC fund. Group 1 individuals totaled 1,361 and were 100% in SAGIC. They would receive a notice that their assets would be mapped to the appropriate Target Date Fund as these latter funds were more appropriate as a QDIA. Group 2 individuals (323) had a portion of their funds in SAGIC but also had other investments. These individuals would receive a notice encouraging them to consider moving and to set up an appointment with Patrick to discuss. The Committee made some minor wording adjustments. MassMutual will incorporate a timeline (distribution, time for individuals to take action, timing of mapping) and distribute to the Committee for one final review before sending out. The Committee unanimously approved the letters, as modified, and agreed with the process for distribution.</p> <p>Paul recommended and the Committee agreed that a separate communication campaign would be developed for the November meeting to encourage current SAGIC members to consider meeting with Patrick to review portfolio options. Paul agreed to draft a letter covering Modern Portfolio Theory and the County's culture for the Committee's review.</p>
Rollovers / Communication Campaign	<p>The Committee reviewed a cover letter for rollouts but MassMutual had not received the checklist and therefore had not been able to present a revised rollover checklist. The Committee agreed to postpone this discussion to the August meeting. Lili did offer to have the rollover checklist included in the SamCERA materials since the Retirement system sees every prospective retiree.</p>
Target Date Fund Review	<p>Paul opened the discussion by mentioning that SST / NFP were conducting a review of the County's TDF option and that this first session was intended to be educational. Upon Committee direction, a more detailed analysis could be provided with the objective of determining whether the County wanted to retain its current Vanguard line-up or switch to another TDF product. Vince distributed to the Committee a Powerpoint presentation on Target Date Funds and QDIA Analysis. He indicated that he would cover General TDF Education, Fiduciary Duties, Suitability Analysis and a TDF Analysis.</p> <p>Vince discussed the significant increase in national participation in TDFs. Total Assets under management increased from \$763</p>

	<p>billion, in 2015 to an estimated \$1,013 billion in 2016. Projections suggested that TDFs could reach \$2 trillion by 2019.</p> <p>Vince indicated that NFP had conducted an analysis of all TDF products and evaluated the glide path of each of these funds. Equity allocations in the 0 year varied from a high of 64% of the portfolio (very aggressive) to 8% of the portfolio (very conservative, a range that represented 56% As a result, returns could vary tremendously which is the reason why it is important for the Committee to review and deeply understand the TDF product they offer participants.</p> <p>Vince reviewed the DOL Guidance on TDFs and identified six key "takeaways" the Committee should understand from these guidelines. He then summarized NFP's multi-step suitability and selection process.</p> <p>He began with Plan Objectives. After discussion the Committee recommended that the suitability analysis be revised to reflect that participants typically stay in the plan through retirement and that they have above average retirement plan benefits, which suggests an aggressive design. In NFP's analysis of Plan Demographics, the Committee agreed that participants have a below average investment knowledge but believed that between the defined benefit employee contributions and the defined contribution contributions, that there were overall high contribution rates which suggested a conservative TDF design. Regarding participant behaviors, participants expect to stay in the plan through retirement and a conservative design is recommended. Vince shared the overall scoring of Vanguard's TDFs and suggested that he incorporate the feedback from the Committee for further discussion in August. The Committee agreed so the item will be agendaized for the next meeting.</p>
Budget Status / Workplan Development	<p>Jay reviewed the budget report and recommendations for 2017-2018 that expenditures be increased from \$25,000 to \$50,000 to allow the County the ability to utilize staff time to incorporate new web features. This increase would cover .2 FTE of staffing. After further discussion, the Committee unanimously agreed to accept the recommendation to increase the staffing and expenditure for 2017-2018.</p>
Provider Performance Report	<p>Paul indicated that the overall performance of MassMutual was strong, with the exception of the time for responding to calls. Bob indicated that he would develop a potential alternative performance standard for the Committee's consideration. The decision to modify or retain the standard and whether or not to invoke the penalty amount will be discussed in August.</p>
NAGDCA 2017 Conference Attendance / Award Consideration	<p>Paul mentioned that NAGDCA's conference would be held from September 24-27 in Milwaukee and asked which Committee members would attend. Jay and Lisa plan to attend and possibly Glenn.</p> <p>Bob shared that MassMutual would submit the County for award</p>

	consideration in the category of Participant Education/Effective Communication, focusing on the increase in participation mentioned earlier. The results have been successful as reported above and this improvement is the basis for the award submission.
Legislative Update	<p>Paul briefly reviewed the difference between a 3 (21) and a 3 (38) investor relationship with plan sponsors. Paul emphasized that the purpose of this information was education and not suggestive that the County change its investment relationship.</p> <p>Paul also discussed the legislative effort to improve participant understanding of retirement assets by converting those assets to an income stream. This is currently being done in the quarterly statements. Finally, Paul summarized the DOL fiduciary rule and indicated that SST would provide a report at the August meeting on the status of this regulation.</p>
Acceptance of Quarterly Plan Summary and Approval of Education Plans	These two items were postpone to the August meeting
Other Issues	No other issues were raised.

The Committee adjourned at 12:02.