

**City of Mesa**  
**Deferred Compensation Committee**  
**MEETING MINUTES**  
**Monday, December 17, 2012, 9:00am**  
**Mesa City Plaza Conference Room 450 South**

**Members Present:**

Chuck Odom (Chair)  
Mike Kennington (Co-Chair)  
Derek Witting  
Don Miller  
Jayson Vowell  
Mary Dellai  
Vicki Eden

**Members Absent:**

Frank Hoglund  
Michael Claspell  
Michele Long

**Other(s) Present:**

Bill Taebel  
Kimberly Call  
Nikki Rosales

Meeting called to order at 9:00am by Chuck Odom

1. Discuss and Approve Updates to the Deferred Compensation Plan Document

The Deferred Compensation Plan Document has two clauses that need to be updated by December 31, 2012, in order to comply with IRS regulations. There are also several other parts of the plan document that require update. At this point, it is being proposed that the committee handle these updates in two parts. The first part will be to review and approve the two clauses that need to be updated for IRS compliance. The second part will be to perform housekeeping of the entire plan document, but will be done at a later date. Bill also indicated that he feels the plan document should go to Council for approval. Chuck pointed out that he couldn't find any evidence of the plan document going to Council for approval in the past

The committee members indicated that they had not received a copy of the revised plan document that was to be discussed today. Chuck read the revisions out loud to the group, as Bill's copy was passed around and shared for viewing.

Plan Document Updates Required for IRS Compliance

The first clause requiring update deals with qualified military services. The following verbiage is to be added at the end of section 4.03 of the plan document.

- In the case of a Participant who dies while performing Qualified Military Service under Code § 414(u), the Beneficiaries of the Participant shall, to the extent required by Code § 401(a)(37), be entitled to any additional benefits (other than benefit accruals relating to the

period of Qualified Military Service) that would be provided under the Plan had the Participant resumed and then terminated employment on account of death.

Chuck indicated that this is basically saying their beneficiaries are entitled to any benefits that they would have accrued to as an employee.

The next clause was an additional section to Article VII, which deals with withdrawals.

- 7.08 Required Minimum Distribution Waiver of 2009. Notwithstanding any other provisions of this Plan, a Participant or Beneficiary who would have been required to receive minimum distributions for 2009 but for the enactment of section 401(a)(9)(H) of the Code (“2009 RMDs”), and who would have satisfied that requirement by receiving distributions that are (1) equal to RMDs or (2) one or more payments in a series of substantially equal distributions (that include the 2009 RMDs) made at least annually and expected to last for the life (or life expectancy) of the Participant’s designated Beneficiary, or for a period of at least 10 years (“Extended 2009 RMDs”), will receive those distributions for 2009 unless the Participant or Beneficiary chooses not receive such distributions. Participants and Beneficiaries described in the preceding sentence will be given the opportunity to elect to stop receiving the distributions described in the preceding sentence. If the Participant and or Beneficiary has not elected to receive a 2009 RMD or Extended 2009 RMD then the Participant or Beneficiary will not receive a 2009 RMD or Extended 2009 RMD unless the Participant elects to receive the distributions(s).

Chuck indicated that RMDs are required minimum distributions.

#### Pending Housekeeping Items of Plan Document

The committee briefly touched on several items that need to be updated, but these items will not be approved by the committee, until a later date.

- Section 2.04(a) – Bill added an “or” because it did not make sense as it read.
- Section 2.04(c) – There is a portion that reads, “Employer of the same Employer,” so one Employer should be struck from the sentence to make sense. Mary questioned whether that wording was geared toward the Lincoln Life plan and if it should have read as Employee of the same Employer. The committee is unsure what the original intent of the wording was, so it will require further research.
- Section 2.14 – There is a section that reads, “providing employment services to the Employer.” It was suggested to strike the work employment, because we don’t know of any employment that provides employment services. The committee agreed that this should be removed.
- Section 3.01 – This section covers the minimum requirements of committee members. Currently, committee members are required to have a minimum of 10 years of service with the city and have been a plan participant for 5 years. This creates a problem for some of the new members that are set to take over. It was suggested that a separate clause be added to allow the City Manager to waive the number of required years of service at his discretion. Mary questioned the value of having those minimum requirements all together, but it was reiterated that the committee should be made up of people that are committed to the city

- and have a real interest in the plan. The additional clause is necessary, because there will be instances of turnover, due to retirement, and management positions that will not meet the minimum requirements, but need to be part of this committee. Don also mentioned that he is participating as a retiree and thought Bryan Raines had made a change to clarify that in the plan document, but it does not appear any changes were made. This section may need to specify a RECOM (Retired Employees City of Mesa) member. Mary questioned legally if any actions taken by the committee would be considered invalid, without this section being updated. Chuck indicated that it could be an issue and the housekeeping items definitely need to be addressed, but there is not enough time between now and December 31<sup>st</sup> to make all of the changes. We have set a precedent in the way we operate and any challenge would likely be unsuccessful. This section also identifies certain departments that are required to have a member serve on the committee. Derek questioned the requirement to have a member from Utilities (whose department name has changed over the years) on the committee, but Chuck said that he believed it was due to the size of their department.
- Section 4.02 – The last sentence reads as, “All such notifications shall be submitted to the Employer’s Payroll Office.” This has to do with participants revoking their participation and Chuck asked if this was still valid, or if the paperwork had to go through GW first. Jayson said currently to opt out of the plan, participants must come in and sign the payroll form, however, with Employee Self Service (ESS) going into effect, this may change, due to the online options that will become available. He also mentioned that Fire’s provider is going through a transition right now and is not developing an interface with Advantage, so they will not have the online options that other participants have. The committee agreed that this line is still valid, but will need to be adjusted, once ESS goes live. Jayson did suggest keeping the verbiage flexible to allow for both options.
  - Other changes are minor things, such as upper and lower case modifications.

#### Discussion on Council Approval of Plan Document

At the beginning of the meeting it was mentioned that Bill suggested taking the updated plan document to Council for approval. Jayson indicated that there is an insurance plan covering the committee and questioned if it would cover Council, because they may be exposed to an additional liability by approving the plan document. Mary asked who approved the original plan document and questioned why Council should even get involved. Chuck said that he didn’t know where the original plan document was, but he went through city records and found that a resolution had never been done for the plan document. Mary indicated that she recently researched the Benefits plan document and found that it was presented to Council in the past, but they took no action on it. Mike asked Bill if there was any legal requirement to take this to Council. Further investigation will need to be done, but it appears to be more of a recommendation, rather than a requirement.

### Committee Approval of Plan Document Updates

It was recommended that the committee approve the two major amendments to be in compliance with IRS regulations and a further review of housekeeping items to the plan document would be made at a later time. It was questioned whether or not the committee has the authority to approve these changes, due to the outstanding housekeeping items to the plan document and committee member requirements. Chuck indicated that there was already a precedent set in 2008 when the committee approved an amendment to the plan document. It was also pointed out that the committee is only approving these two amendments in order to meet IRS standards, so they would be acting in good faith to be compliant. Don asked who has authority of the plan document and Bill indicated that Chuck would sign the plan document as the designee.

Mary Dellai motioned to approve the two clauses requiring update for IRS compliance.

Don Miller seconded the motion.

None opposed.

## 2. Review RFP and Revisions to Statement of Work (SOW) & Questionnaire

Bill drafted an RFP, which included the Standard Terms and Conditions and the SOW. The SOW was relabeled as Detailed Specifications. The Detailed Specifications reflects a new timeline for the RFP, under Administrative Issues. Typically it takes about 90 days to write an interface. Currently, the city is working on an interface with Mass Mutual (Fire plan provider) and Great West (City's main plan provider), but we would need to write a new one, should we change vendors. Both contractors felt that a 120 day period would be better, since we are looking for a plan provider for both the main City plan, as well as Fire. It was also mentioned that Innovest would prefer the change to happen at the end of a quarter, for reporting purposes. The previous timeline had a conversion date of May 1, 2013. The new timeline shows that the RFP will not be released until January 29, 2013 and the conversion will not take place until October 1, 2013, which will be the start of a new quarter.

There was a question as to whether it would be an issue to have a different provider for one quarter of the year. Changing providers mid-year is not a problem, it's just easier if the change is done at the end of a quarter. It was also asked who pays for the interface costs and Chuck indicated that it would be the city. It was mentioned that the conversion should be easier this time, because we are not dealing with the number of plans that we did in the past and it is more automated.

Most of the changes were to the timeline. The Proposal Submission section specifies that proposals will not be accepted by e-mail or fax, as to eliminate any competitors from viewing them prematurely. Flash drives or disks may be hand delivered or mailed in. The Evaluation Criteria of the Detailed Specifications states that Innovest is serving as advisor to the Deferred Compensation Committee.

Changes to the questionnaire were reflected in red. Numbers 11 and 12 of the Participant Communication section cover the request of a dedicated onsite consultant and custom branded website. Several committee members indicated that they had to remove page breaks and make other minor adjustments, so it was asked that the document be changed to a standard format. Under Recordkeeping Services & Administration, numbers 11, 12 & 14 were added. These items ask about the provider's experience with the software the city is currently using, the provider's conversion process and administration of hardship withdrawals. Number 26 of the same section covers the Lincoln Life Insurance policies, which the committee previously requested. Number 2 of Contract Provisions requests: Comment on your familiarity and flexibility with regard to customizing contractual language to be consistent with applicable Arizona laws for municipal corporations. The committee is also concerned with grammatical errors throughout the document, so that will be relayed to Innovest.

Mike motioned to move forward with the release of the RFP.

Derek seconded the motion.

None opposed.

### 3. Miscellaneous Discussion

Great West is ok with extending our contract anywhere from 1-12 months at our current terms. Fire is working on an extension with Mass Mutual . We are also working on getting a new contract with Innovest, since theirs expires in January. Innovest has agreed to extend their contract under the current terms, until a new contract can be drafted.

The Plan Document is independent from the provider, so we do not need to wait for the RFP process to be complete, in order to update the plan document. A meeting to discuss the housekeeping items of the plan document will likely take place in late January or February. Chuck and Mike will meet with the City Manager to discuss whether or not to take the plan document to Council for approval, since it is not a requirement. Derek asked that we discuss as much as possible through e-mail, since we've had numerous meetings lately. Chuck also asked Bill to send the GW plan document to the committee to see if there are any provisions that they would like to implement in our plan. It was also mentioned that Fire does not have their own plan document, so they fall under the main plan document.

### 4. Meeting adjourned at 10am.