City of Mesa
Deferred Compensation Committee
MEETING MINUTES
Monday, August 6, 2012, 11:30am
Mesa City Plaza Conference Room 130

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

Innovest:
Wendy Dominguez
Jerry Huggins

Great West:
Scott Taylor
Javier Obando

Other(s):
Bill Taebel
Nikki Rosales

Meeting called to order at 11:30am by Chuck Odom

1. Introduction of new committee members
   Vicki Eden from Water Resources replaced Matt Rexing
   Mike Kennington, new CFO, will serve as co-chair

2. Approval of May 7, 2012 minutes
   Motion to approve minutes made by Don Miller
   Seconded by Jayson Vowell
   Approved unanimously

3. Innovest staff reviewed the 2nd Quarter Portfolio:

   The Markets: Bonds were up 2% this quarter. Activity in Europe is affecting the U.S. Best performance in the first 6 months.

   Headwinds/Tailwinds: US to hit $16.4 trillion debt by mid-October 2012. Unemployment still a big issue-12.7 million American remain jobless. A "fiscal cliff" of both higher taxes and spending cuts is scheduled to begin January 1, 2013. Vehicle sales up 22% from last year. 8 out of 9 mortgages are current in the U.S. Large cap stock in U.S. as cheap as they have been in over 35 years.

Annual Fee Review (01/01/2011-12/31/2011): Average plan assets were $114,568,218. Estimated investment, recordkeeping & administrative costs of 0.55% compare favorably to similarly sized 401(k) plans. Estimated total plan expenses are 0.62%, which includes 3rd party fees.

Specific Plan Investment Review

Watch List: Fidelity Contrafund, Rainier Large Cap Equity, Davis NY Venture, Allianz NFJ Dividend Value

Fund Analysis: Fidelity Contrafund – Style Consistency, Asset Base
Rainier Large Cap Equity – Performance*, Overall
Davis NY Venture – Performance
Perkins MC Value – Style Consistency, Asset Base
Oppenheimer Global – Organization
American Funds EuroPacific – Asset Base
Mesa/Great West Custom Stable Value – Philosophy & Process

**Major Concern.*
All other listed as minor concern.

Report Card: Total of 6 failed operations.
Fidelity Contrafund – Manager adherence to style and philosophy*
Rainier Large Cap Equity – Trailing 5 years return below median, Rolling 3 year periods above median
Davis NY Venture – Annual periods above median
Allianz NFJ Dividend Value – Risk adjusted return above median for 5 years, Trailing 5 years return below median

**It was mentioned that a contrafund is supposed to be a go anywhere fund, so this criteria is not applicable.*

There was discussion of possibly dropping Rainier and moving funds to Mainstay, rather than replace Rainier. Mainstay has not been that great compared to the benchmark either. Mainstay is not so good short term, but ok long term. Will revisit this discussion next quarter.

Cambiar was added in May, so their totals do not reflect a whole quarter.

The city currently has a policy to invest only in companies with a rating of AA & above at time of purchase. A question was asked whether the policy should apply only at purchase or throughout the investment. It was determined to apply the policy only at time of purchase.

The custom stable value fund statement currently goes to Jayson Vowell. It was suggested that this be distributed to all committee members.

4. Great West update by Scott Taylor:

   Great West contract is coming up next year. Need to come back with a plan in November. Mike and Chuck to evaluate contract and include Bill Taebel for legal review.

   Introduction of Javier Obando: Javier is the Client Relations Director for Great West, assigned to the Irvine office. Explained how they did a slight reorganization last year. Scott Taylor will still be our main contact, but Javier will assist, as needed.

   Scott discussed the increase in participation for Mesa. He reached out to various departments, located outside of Mesa City Plaza and was successful.

   A committee member asked how many sworn Fire employees participate in Great West vs. Hartford. This information will need to be brought to the next meeting.

   The committee would like to see regular reports of citywide participation. Javier indicated that reports can be created, if we identify our needs. Once Advantage is fully up and running in January, we will have a better idea of reporting capabilities.

   A comment was made that Great West should provide an updated plan document. Scott will provide an executed document to Bill for review.

   Mary Dellai asked for the number of hardship withdrawals that have been requested. Scott indicated that he would have to research that, but would e-mail the answer to her.

   Great West is trying to contact participants that do not have a current beneficiary listed. This has been a long process, because most of these participants have no current form of contact listed, other than a physical mailing address. There are still a couple hundred participants that need their beneficiaries updated, so Great West will continue this effort.

5. Miscellaneous Items:

   Mary to post May 7, 2012 minutes on the website

   Next meeting will take place on Monday, November 5th

6. Meeting Adjourned

   Mary Dellai motioned to adjourn the meeting
   Seconded by Don Miller