City of Las Vegas

INVESTMENT FIDUCIARY COMMITTEE
CITY HALL, 495 S. MAIN STREET
HUMAN RESOURCES 2nd FLOOR CONFERENCE ROOM
CITY OF LAS VEGAS INTERNET ADDRESS: www.lasvegasnevada.gov

AGENDA

MAY 29, 2014
1:00 PM

ITEMS LISTED ON THE AGENDA MAY BE TAKEN OUT OF THE ORDER PRESENTED; TWO OR MORE AGENDA ITEMS FOR CONSIDERATION MAY BE COMBINED; AND ANY ITEM ON THE AGENDA MAY BE REMOVED OR RELATED DISCUSSION MAY BE DELAYED AT ANY TIME. BACKUP MATERIAL FOR THIS AGENDA MAY BE OBTAINED FROM BEVERLY K. BRIDGES, CITY CLERK, AT THE CITY CLERK'S OFFICE AT 495 SOUTH MAIN STREET, 2ND FLOOR OR ON THE CITY'S WEBPAGE AT www.lasvegasnevada.gov.

1. Approval of the March 13, 2014 4th Quarter meeting minutes

2. Quarterly Report of Investments by Freddie Sarno - Capital Markets Overview

3. Fund Review and Update - ICMA-RC

4. Fund Review, Update and Target Funds Presentation - Mass Mutual

5. Fund Review, Update and Target Funds Presentation - Nationwide

6. Discussion for possible action regarding watch list funds and mapping the deleted funds to funds within the same asset class

7. Discussion for possible action regarding employee loans in default

Facilities are provided throughout City Hall for the convenience of disabled persons. Reasonable efforts will be made to assist and accommodate physically handicapped persons. If you need an accommodation to attend and participate in this meeting, please call the City Clerk's office at 229-6311 and advise of your need at least 48 hours in advance of the meeting. Dial 7-1-1 for Relay Nevada.

THIS MEETING HAS BEEN PROPERLY NOTICED AND POSTED AT THE FOLLOWING LOCATIONS:
City Hall, 495 South Main Street, 1st Floor
Clark County Government Center, 500 South Grand Central Parkway
Grant Sawyer Building, 555 East Washington Avenue
City of Las Vegas Development Services Center, 333 North Rancho Drive

Investment Committee

March 13, 2014 meeting minutes

Committee Members in Attendance;

Vanetta Appleyard – Chair (for Mark Vincent)
Rusty McAllister
Edward O'Neal
Julie Hittle
Dave Compson
John Riddilla

Others in Attendance;

Dan Rigato - City Staff
Freddie Sarno – Investment Consultant

Minutes

Freddie Sarno presented a 4Q 2014 Capital Market Commentary, the information can be found under section 1 of each plan review document.

General Discussion

1. A motion was made and carried to approve the minutes from the last meeting.

2. A motion was made and carried to approve the 457 and 401a Investment Policy.

3. Dan Rigato will request that MassMutual provide a plan analysis similar to the documents presented by ICMA and Nationwide.

4. Two groups of active employees will be sent mailers in April. The first group is active employees who are no longer contributing to one of our plans. Each Plan Administrator will develop a mailer that will be sent to the employee's home. The second group is active employees who have only 1 or 2 funds in their portfolio. The Plan Administrators will review the employee accounts to ensure a mailer is appropriate for an employee. For example, if an employee has all of their investments in a target date fund this strategy is fine since the target date fund is diversified in itself. Dan Rigato will support the efforts of the Plan Administrators by posting communication pieces supporting these two initiatives.

5. Dan Rigato discussed the proposed Investment and Retirement Palooza scheduled for June 25th and June 26th. There will be several one hour sessions focused on investing and retirement; Mr. Rigato is finalizing the speakers and other session details.

6. There was a discussion on reducing the number of funds offered to our employees, which may cause some employees paralysis thru analysis. Julie Hittle stated that our employees need more education on why funds would be changed and the process that we go through to change them. She stated that employees don't feel the committee has the right to move the employee's money to another fund. Other committee members (Rusty, John and Ed) stated reduction would be good as long as there were funds in the same asset classes. With so many funds available to

participants they may have a difficult time making decisions. In addition, having too many funds may keep prospective participants out of the plans. The bottom line is our employee's need education on fund selection and deferred compensation in general. Any changes in funds will require focused communication pieces to the affected employees from the city and plan administrator.

7. There was a discussion on how long funds should be on the watch list. Freddie Sarno stated there are no hard and fast rules but he will provide information on all of the funds on the watch list for the previous two quarters. In addition, a motion was carried to keep all of the current funds on the watch list for at least 2 quarters before taking any action on these funds.

ICMA

Freddie Sarno, Investment Consultant, led a review of the 4Q 2014 ICMA fund performance and based on his analysis he recommended the following funds stay on the fund watch list.

AllianzGI NFJ Divident Value Admin.
Calvert Equity A
Vantagepoint Growth T
Goldman Sachs Mid Cap Value A
Vantagepoint Aggressive Opp T
T. Rowe Price Small-Cap Value Adv.
Vantagepoint Core Bond Index

<u>The following funds were added to the watch list</u>;
Vantagepoint Inflation Prot. Secs. T
PIMCO High Yield Admin.

A motion was made and passed placing these funds on our watch list and keeping the original 7 funds on the watch list.

ICMA distributed their 4Q 2014 Plan Service Report and a graph showing the plans cumulative returns over time. For the period 2009 thru 2/28/2014 the annualized return is 10.2%. Emphasis was placed on the 457 plan asset allocation; these charts indicated solid diversification by age band, as well as appropriate fund usage by participants based on their age.

In attendance from ICMA:

Shawn Baker, Regional Director
Ornella Grosz, Retirement Plan Specialist

MassMutual

Freddie Sarno, Investment Consultant, led a review of the 4Q 2014 MassMutual fund performance and based on his analysis he recommended that the following funds be placed on the fund watch list.

American Century Equity Income Inv.
Janus Twenty T
Goldman Sachs Mid Cap Value Instl.
Victory Special Value A
Janus Overseas S
American funds Capital World G/I R4
SSgA Dow Jones Target Today strategy – to be replaced by T. Rowe Price target date funds. Note; the SSgA funds are equity light because they are used to retirement. The T. Rowe Price funds have a higher percentage of equity because this fund plans through retirement.

<u>Funds added to the watch list;</u>
MFS Government Securities R3
Invesco American Franchise A
Invesco Real Estate A

A motion was made and passed placing these funds on our watch list and keeping the original 7 funds on the watch list.

Freddie Sarno made a recommendation of using T. Rowe Price target date funds to replace the SSgA funds in the MassMutual lineup. The following chart shows the number of active participants in the SSgA funds;

SSgA Fund	Number of participants
Target Today	7
2015	5
2025	9
2035	11
2045	15

A motion was made a carried to remove the SSgA target date funds from the MassMutual fund lineup and replace them with the recommended T. Rowe Price target date funds. Once we are ready to roll out the new funds each active employee will receive a mailer from MassMutual about the change. In addition, Dan Rigato will contact each participant with additional information as to why the fund change was made.

In attendance from MassMutual:

Robert Trenary
Janet Corral

Nationwide

Freddie Sarno, Investment Consultant, led a review of the 4Q 2014 Nationwide fund performance and based on his analysis he recommended that the following funds be placed on the fund watch list.

American Funds American HI Inc.
Nationwide Inv. Dest. Cnsrv. Svc
Nationwide Inv. Dest. Mod. Sve.
Oppenheimer Value A
Dreyfus Appreciation Investor
Nationwide Inv. Dest. Agrsv Svc.
Goldman SachsMid Cap Value Instl
American Century HeritageA
American Funds Capital World
BlackRock Natural Resources Inv. A.

Added to the watch list;
Nationwide Growth A

A motion was made and passed placing the Nationwide Growth A fund on our watch list and keeping the original 10 funds on the watch list.

Freddie Sarno made a recommendation of using T. Rowe Price target date funds to add to the Nationwide fund lineup. A motion was made and carried to add the T. Rowe Price target date funds to the Nationwide plan.

Nationwide distributed their Gauging Success report (total assets and plan participation information) and Investment Performance Report (fund specific). The report indicates the participants are allocating their funds appropriately for their age and are saving at a higher rate than the benchmark. Jason Smith talked about variance in fund performance within an asset class. Funds in a specific asset class may out or underperform the benchmark based on the amount of equity or bonds in the fund. The risky or conservative nature of a specific fund will cause the variance of returns within the asset class.

In addition, Nationwide stated they will be removing the Eaton Vance Bill America Bonds from their list of funds platform.

In attendance from Nationwide:
Marshall Goff - Program Director
Jason Smith - Investment Management Group
Julie Miramontes - Retirement Specialist

Meeting Schedule for 2014

Time1 p.m. thru 5 p.m. in City Hall.

May 29^{th} – 2^{nd} floor Conference Room
August 26th
December 11th

Loan Default Background

Employee 457 loans are paid directly to the Plan Administrator by the employee, typically a monthly ACH deduction from their checking account.

Monthly we review the plan administrators delinquent loan report and contact employee's with past due loans, the plan administrators notifies the employee as well. We have a few instances where employee's take a loan and don't make any payments. My main concern is employees may be taking loans so they can get access to their 457 funds. The only way for an employee to get funds from the plan prior to retirement is to take out a loan or apply for an emergency hardship.

The IRS takes a very dim view on loan defaults. Loans are one of the first items look at in an audit. Loans have very traceable information and fiduciaries are usually lax with loans. Our loan defaults as a percentage of total loans are not at a level to be questioned by the IRS, however it's in our best interest to maintain some control.

The plan could lose its pre-tax status and be disqualified as a 457 plan if we do not monitor and control loans properly. The following chart is a list of loans with each Plan Administrator.

	MassMutual	ICMA	Nationwide
Number of Loans	314	122	89
Loans in default	23	7	0
% in default	8%	6%	0%

Currently, we allow employees who have defaulted on a prior loan to get another loan. The following formula is used to compute the funds available in the event of a loan default; the account balance minus the defaulted loan amount, the employee can get a maximum of 50% of the sum. There have been incidences where employees who have defaulted on one loan also defaulted on subsequent loans.

Due to the risk associated with 457 plan regulations for loans and a potential disqualification of the plan from tax free status (which would trigger a taxable event for all participants) it is suggested that employees who have defaulted on a loan not be allowed to get a second loan during their employment with the city.