

CITY OF TORRANCE
DEFERRED COMPENSATION PLAN COMMITTEE
APRIL 30, 2012 MEETING MINUTES

Members Present: Ms. Dana Cortez – City Treasurer
Mr. Eric Tsao – Finance Director
Mr. John Fellows – City Attorney
Ms. Mary Giordano – Assist. City Manager

Committee Consultants: Mr. John Campbell and Ms. Rachel Fequiere - Benefit Funding Services Group
("BFSG")

CALL TO ORDER

A special meeting of the Deferred Compensation Committee (the "Committee") was called to order by Dana Cortez on April 30, 2012 at 11:05 am. The meeting was intended to review the Great West Service Contract Renewal / Costs, the fourth quarter 2011 and first quarter 2012 City of Torrance Deferred Compensation Plans (the "Plans") performance report prepared by BFSG, and other items listed on the agenda.

INVESTMENT MEETING

I. ACCEPTANCE AND FILING OF APRIL 17, 2012 MEETING MINUTES

Ms. Cortez made a motion to accept and file the April 17, 2012 meeting minutes. The motion was seconded by Ms. Giordano, and unanimously accepted.

II. GREAT-WEST SERVICE CONTRACT / COSTS REVIEW – CONCLUSION

Ms. Cortez reviewed the Great-West Performance Guarantee Report, noting that all of the service deliverables were satisfied. She reviewed a list of all items completed, from 2010 thru the end of the first quarter 2012. The Financial Planning initiative was reported as having met little interest from participants as it seemed too arduous. Rather, Ms. Cortez reported that findings indicated that participants were more interested in simply knowing if they were well prepared for retirement. A number of group and on-on-one employee meetings were held to help with the education efforts. Ms. Cortez noted that Great-West has been accommodating and flexible in meeting the participant's education needs, and that efforts were currently underway to further enhance the Great-West participant access website.

The participant satisfaction survey conducted by Great-West was also reviewed. Overall, the majority of respondents were "Satisfied" to "Very Satisfied" with Great-West services. There was some dissatisfaction noted with respect to the self-directed brokerage ("SDB") option; though upon researching the dissatisfaction it was determined that the participant in question did not have a clear understanding of trading timelines associated with the SDB option.

Ms. Cortez also reported that there had been a few administrative concerns with respect to the handling of some qualified domestic relations order ("QDRO") calls, but those issues have also been resolved.

Pricing was re-reviewed and noted as being very competitive for the majority of the Plans. As noted as the last Committee meeting, the Part-Time 3121 Plan revenue to Great-West will be increasing as a result of the Plan currently being priced well below market. In order to accommodate the increase in revenue to Great-West, the Committee asked that Great-West be asked to incorporate an asset charge on the Stable Value fund such that all participants will share in the revenue increase equitably, as opposed to charging a flat hard dollar fee to each participant's account, which could unfairly burden the smaller account balances in the Plan. Great-West would then be asked to revisit the wrap charge annually based on Plan assets to help ensure it remains reasonable. BFSG committed to inquiring with Great-West accordingly.

Overall, the Committee felt that their own experience with Great-West was positive and that there were no concerns at this time.

Based on the Committee's review of services and the competitive pricing proposed by Great-West for a 5-year contract renewal, a motion was made, seconded, and unanimously approved to move forward with authorizing Ms. Cortez to present the 5-year contract renewal to City Council for execution as long as Great-West can accommodate the asset charge pricing on the Part-Time Plan. BFSG will report back as soon as possible so that the initiative may move forward accordingly.

III. Retirement Plan Quarterly Investment Review (4Q11 & 1Q12)

Mr. Campbell discussed the state of the economy during the fourth quarter of 2011 and the first quarter of 2012. His discussion included a review of GDP, unemployment numbers, inflation, interest rates, investment returns, and the resulting impact each of these factors may have had on the funds in the Plan. Noteworthy funds for the quarters include the following:

Torrance Stable Value: The fund continues to outperform the custom stable value category benchmark. It remains very competitive in the marketplace.

PIMCO Total Return: The bond fund struggled during 2011 due to fund manager, Bill Gross, having liquidated Treasuries from the portfolio prematurely. As corporates performed better than Treasuries during the first quarter of 2012, the fund has shown a rebound in performance.

Dodge & Cox Stock: This large cap value fund tends to perform well in up markets and lags in down markets. As high dividend-paying stocks performed well in 2011, the fund did not benefit and subsequently lagged on a one-year basis. Its performance did outpace the benchmarks during the first quarter of 2012 as the market rallied.

Fidelity Advisor Leveraged Co Stock: This aggressive fund performs well when markets rally. When the risk trade is off, the fund tends to lag its more conservative peers. Performance during fourth quarter 2011 and first quarter 2012 were indicative of its style.

Alliance Bernstein International Growth: Mr. Campbell expressed some concern with the recent frequent changes in money managers. The fund will be closely monitored.

The Asset Allocation Funds, which account for approximately 13% of Plan assets, were all noted as performing well against their custom benchmarks.

As of March 31, 2012, each of the funds was ranked as either "perform" or "outperform" per the Investment Policy Statement evaluation methodology. The Plan's average rank was 16, and its weighted rank was 18, which are both considered "outperform."

Plan level returns, which assume a static allocation as of the end of the quarter, demonstrated outperformance against the custom passive and active benchmarks on a 3-month, one-, 3- and 5-year basis as of March 31, 2012. As weighted, the Plan takes slightly more risk than the equally-weighted category, measured by 3-year standard deviation, and remains competitively priced at 53 basis points versus the category at 79 basis points.

The Part-Time (3121) Plan performance was reviewed. The Janus Balanced fund was noted as having lagged its peers on a 3-year basis due to having been underweight in equities. Mr. Campbell stated that the fund has performed per its intended style and as such its performance is not concerning. Ariel Appreciation lagged on a 10-year basis due to having been overweight in financials, and Lord Abbett Value Opportunities had an overweight in materials and industrials, which caused some short-term lag in performance.

As of March 31, 2012, the Part-Time funds were predominantly ranked as either "perform" or "outperform" per the Investment Policy Statement evaluation methodology. Ariel Appreciation was the sole fund with an "underperform" rank, though it was noted that the fund's ranking had improved since the last quarter. The Plan's average rank was 27, and its weighted rank was 22, which are considered "perform" and "outperform," respectively.

The Committee discussed the addition of two funds to the Part-Time Plan, which came as a result of participants choosing those funds from the lengthy list available to them via the Great-West website. Mr. Campbell proposed not allowing such an extensive list to be made available as it requires oversight by

the Committee and may be confusing for the Plan participants – the majority of which remain invested in the fixed funds. After discussion, it was determined that the list of available funds would be limited to just those selected by the Committee as offerings in the Plan.

IV. Asset Allocation Model Analysis

In the interest of time, the Asset Allocation Model Analysis discussion has been tabled until the June 2012 meeting.

V. Fund Search

In order to further diversify funds offered in the Full-Time Plan, and to address concerns with certain funds, BFSG prepared an analysis on World (Global) Bond funds; Large Cap Value funds; Large Cap Growth funds; Small Cap Value funds; Foreign Large Equity funds; and Emerging Markets funds. Each of the various funds in the asset classes were discussed using the criteria set forth in the Plan's Investment Policy Statement. The criteria included a qualitative discussion and a quantitative review, including performance, risk-adjusted performance, style consistency, and costs. After the review, the Committee made the following conclusions based on recommendations by BFSG:

- World Bond Fund: In order to broaden the asset classes available in the Plan, a motion was made, seconded, and unanimously approved to add the Templeton Global Bond Fund due to its strong evaluation methodology rankings and track record.
- Large Cap Value: As the Plan's existing Large Cap Value fund, Dodge & Cox Stock, tends to be more aggressive, a motion was made, seconded, and unanimously approved to add the T. Rowe Price Equity Income fund as a more conservative Large Cap Growth fund offering.
- Large Cap Growth: As the Plan's existing Large Cap Growth fund, American Funds Growth Fund of America, tends to be more of a downside protection fund which doesn't participate as much during up markets, a motion was made, seconded, and unanimously approved to add the T. Rowe Price Blue Chip fund as a more aggressive Large Cap Growth fund offering.
- Small Cap Value: As the Plan's existing Small Cap Value fund, Columbia Small Cap Value II, has shown improved performance, no changes will be made within this asset class. The Columbia fund will continue to be closely monitored.
- Foreign Large Equity: Due to time constraints, this asset class discussion was tabled until a future meeting, as warranted.
- Emerging Markets: In order to broaden the asset classes available in the Plan, a motion was made, seconded, and unanimously approved to add the DFA Emerging Markets fund due to its diversified, passively managed style, and methodology rankings, and the Oppenheimer Developed Markets fund due to its actively managed style and methodology rankings.

VI. Closing

The Deferred Compensation Committee meeting adjourned at 1:05 pm.

City of Torrance 457 Plan A & 401(a) Plans

Data as of 3/31/2012

Fund Performance Summary (page 1 of 2)

3/31/2012										
Investment Option / Benchmark	Category	Weight	3 Month	YTD	1 Year	3 Year	5 Year	10 Year	Expense Ratio	
Torrance Stable Value	Fixed	50.17%	0.80	0.80	3.49	3.78	4.14	N/A	0.44	
Cat: Stable Value			0.49	0.49	2.17	2.63	3.18	3.68		
Dodge & Cox Income	Intermediate Bond	0.70%	2.97	2.97	6.43	10.20 (41)	6.66 (32)	6.12 (28)	0.43	
PIMCO Total Return Instl		2.82%	2.88	2.88	5.99	9.36 (53)	8.34 (4)	7.03 (6)	0.46	
Barclays Aggregate Bond			0.30	0.30	7.71	6.83	6.25	5.80		
Cat: Intermediate Bond			1.69	1.69	6.57	10.04	5.87	5.62	0.79	
Dodge & Cox Stock	Large Value	4.38%	13.29	13.29	2.56	23.89 (16)	-2.01 (85)	4.83 (36)	0.52	
Russell 1000 Value			11.12	11.12	4.79	22.82	-0.81	4.58		
Cat: Large Value			11.08	11.08	4.07	21.54	0.06	4.35	1.05	
American Funds Fundamental Investors R5	Large Blend	1.22%	11.67	11.67	2.97	21.67 (51)	2.44 (28)	6.57 (6)	0.36	
Blackrock Eq Idx Fund CF		3.29%	12.59	12.59	8.58	23.53	2.11	4.19	0.18	
S&P 500			12.59	12.59	8.54	23.42	2.01	4.12		
Cat: Large Blend			12.62	12.62	5.17	21.84	1.31	4.06	1.07	
American Funds Growth Fund of Amer R5	Large Growth	6.77%	14.68	14.68	3.85	20.05 (80)	2.19 (74)	5.48 (20)	0.38	
Russell 1000 Growth			14.69	14.69	11.02	25.28	5.10	4.28		
Cat: Large Growth			15.88	15.88	7.21	23.05	3.72	4.31	1.11	
JPMorgan Mid Cap Value Instl	Mid Value	1.07%	11.12	11.12	7.14	27.02 (35)	3.48 (20)	9.14 (2)	0.76	
Russell Mid Cap Value			11.41	11.41	2.28	29.18	1.26	8.02		
Cat: Mid Value			12.21	12.21	0.76	26.06	1.77	6.71	1.17	
Fidelity Advisor Leveraged Co Stk I	Mid Blend	1.19%	17.73	17.73	-2.52	33.34 (8)	1.78 (54)	14.53 (1)	0.85	
Russell Mid Cap			12.94	12.94	3.31	29.13	3.03	7.85		
Cat: Mid Blend			12.40	12.40	-0.01	25.78	1.94	6.67	1.23	
Blackrock Mid Cap Eq Idx Fd (for DC)		2.22%	13.39	13.39	1.89	28.50	4.80	7.73	0.25	
S&P 400			13.50	13.50	1.98	28.55	4.78	7.70		
Cat: Mid Blend			12.40	12.40	-0.01	25.78	1.94	6.67	1.23	
T. Rowe Price Mid-Cap Growth	Mid Growth	4.44%	13.22	13.22	2.89	28.20 (26)	7.44 (12)	8.80 (10)	0.80	
Russell Mid Cap Growth			14.52	14.52	4.43	29.16	4.44	6.92		
Cat: Mid Growth			14.50	14.50	2.10	26.07	4.32	6.40	1.21	
Columbia Small Cap Value II Z	Small Value	0.37%	11.66	11.66	-0.68	27.09 (60)	2.48 (47)	N/A (N/A)	1.06	
Russell 2000 Value			11.59	11.59	-1.07	25.36	0.01	6.59		
Cat: Small Value			11.83	11.83	0.17	28.69	2.59	7.64	1.31	
Blackrock Russ 2000 Idx Fd (for DC)	Small Blend	2.77%	12.45	12.45	-0.27	26.94	2.19	6.44	0.25	
Russell 2000			12.44	12.44	-0.18	26.90	2.13	6.45		
Cat: Small Blend			12.35	12.35	-0.34	27.58	2.11	6.88	1.30	
Prudential Jennison Small Company Z	Small Growth	1.35%	10.96	10.96	-0.09	26.32 (66)	4.27 (39)	8.13 (8)	0.86	
Russell 2000 Growth			13.28	13.28	0.68	28.36	4.15	6.00		
Cat: Small Growth			13.95	13.95	0.78	27.60	3.61	5.97	1.34	

Funds listed in Green are scheduled to be added.

Funds listed in Blue are frozen to new contributions

Funds shaded in Yellow have been placed on the watch list.

Funds listed in Red are scheduled to be removed.

City of Torrance 457 Plan A & 401(a) Plans

Data as of 3/31/2012

Fund Performance Summary (page 2 of 2)

3/31/2012										
Investment Option / Benchmark	Category	Weight	3 Month	YTD	1 Year	3 Year	5 Year	10 Year	Expense Ratio	
AllianceBern Intl Growth I	Foreign Large Equity	1.00%	12.55	12.55	-6.25	18.86 (33)	-3.13 (59)	8.01 (14)	0.90	
Artisan International Inv		3.43%	15.48	15.48	3.52	20.72 (17)	-0.79 (27)	6.04 (45)	1.22	
Blackrock EAFE Eq Idx Fund CF		0.56%	10.93	10.93	-5.53	17.44	-3.24	N/A	0.25	
MSCI EAFE			10.86	10.86	-5.77	17.13	-3.51	5.70		
Cat: Foreign Large Equity			11.81	11.81	-5.91	17.82	-2.50	5.95	1.26	
Conservative Allocation	Lifestyle	0.69%	6.32	6.32	4.00	13.35	4.77	N/A	0.71	
65% BC Agg / 35% S&P 500			4.49	4.49	8.36	12.75	5.18	5.54		
Cat: Conservative Allocation			5.31	5.31	4.78	14.93	3.98	5.19	1.06	
Moderate Allocation		5.99%	8.65	8.65	3.54	16.93	3.95	N/A	0.78	
40% BC Agg / 60% S&P 500			7.56	7.56	8.58	16.91	4.15	5.14		
Cat: Moderate Allocation			8.32	8.32	4.79	16.97	3.17	5.09	1.09	
Aggressive Allocation		5.56%	10.97	10.97	2.89	20.57	3.04	N/A	0.85	
S&P 500			12.59	12.59	8.54	23.42	2.01	4.12		
Cat: Large Blend			12.62	12.62	5.17	21.84	1.31	4.06	1.07	

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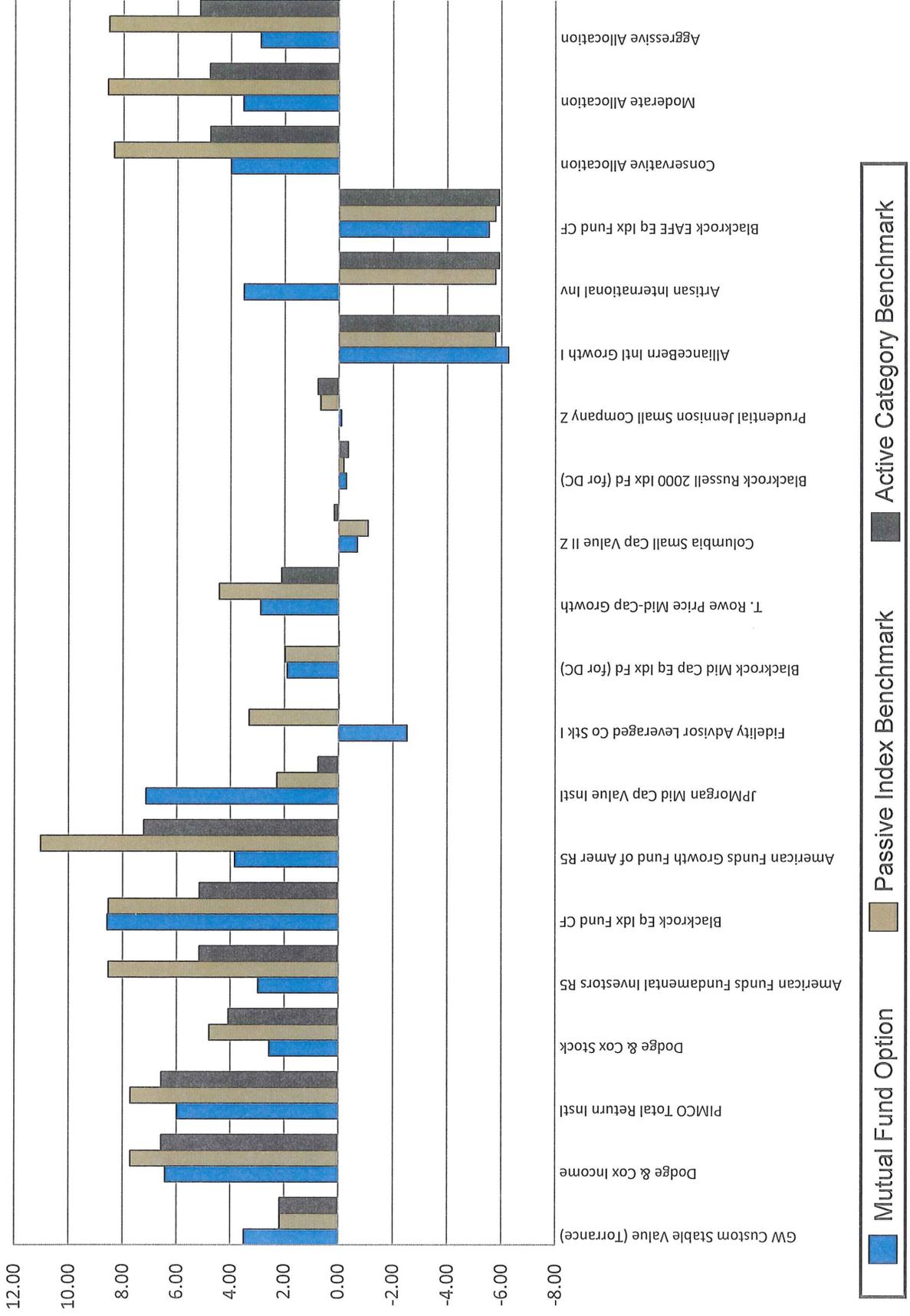
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City of Torrance 457 Plan A & 401(a) Plans

Data as of 3/31/2012

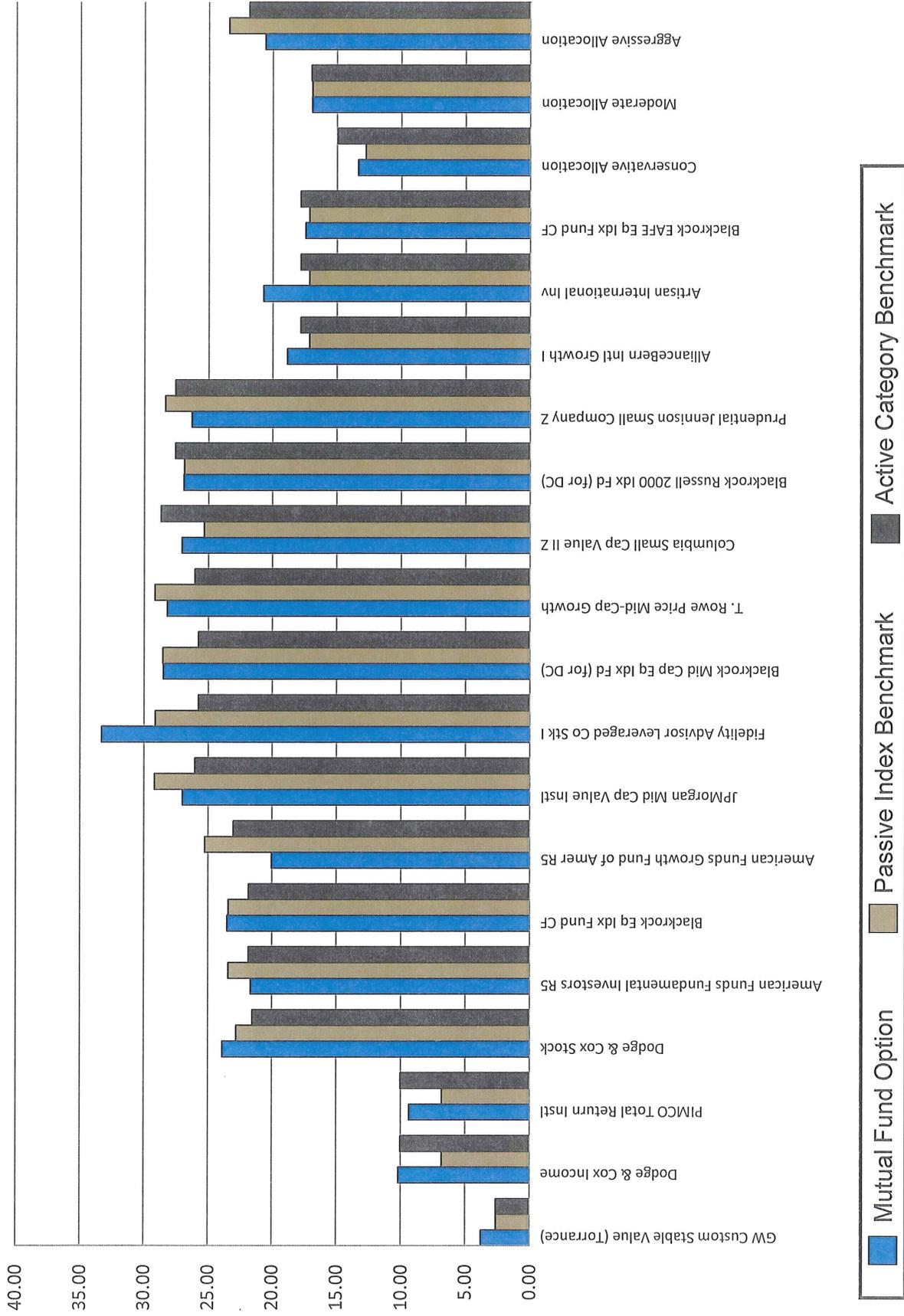
1-Year Fund Performance vs. Index and Category Benchmark



City of Torrance 457 Plan A & 401(a) Plans

Data as of 3/31/2012

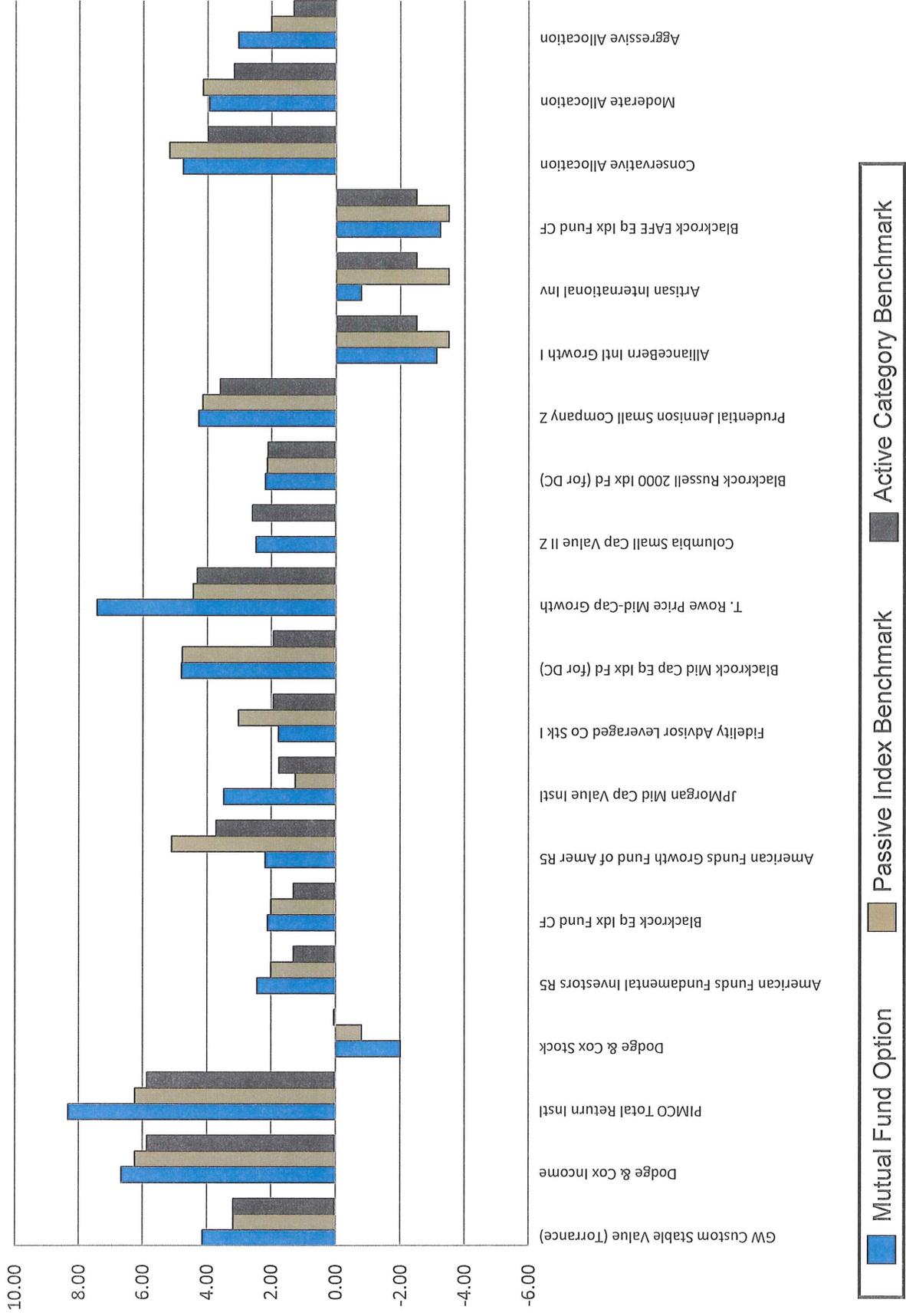
3-Year Fund Performance vs. Index and Category Benchmark



City of Torrance 457 Plan A & 401(a) Plans

Data as of 3/31/2012

5-Year Fund Performance vs. Index and Category Benchmark



City of Torrance 457 Plan B

Data as of 3/31/2012

Fund Performance Summary (page 1 of 2)

3/31/2012										
Investment Option / Benchmark	Category	Weight	3 Month	YTD	1 Year	3 Year	5 Year	10 Year	Expense Ratio	
Torrance Stable Value	Fixed	65.17%	0.80	0.80	3.49	3.78	4.14	N/A	0.44	
Great West Guaranteed Certificate		29.75%	N/A	N/A	N/A	N/A	N/A	N/A		
Cat: Stable Value			0.49	0.49	2.17	2.63	3.18	3.68		
PIMCO Total Return Admin	Intermediate Bond	0.18%	2.81	2.81	5.73	9.09	8.07	6.77	0.71	
Maxim Federated Bond Portfolio		0.09%	1.67	1.67	6.84	8.52	6.85	N/A	0.70	
Barclays Aggregate Bond			0.30	0.30	7.71	6.83	6.25	5.80		
Cat: Intermediate Bond			1.69	1.69	6.57	10.04	5.87	5.62	0.79	
Maxim Loomis Sayles Bond	Multisector Bond	0.02%	6.95	6.95	6.98	19.61	7.56	10.48	0.90	
Barclays Multiverse			1.09	1.09	5.28	7.97	6.41	7.45		
Cat: Multisector Bond			4.41	4.41	5.40	15.73	6.70	8.02	0.93	
Putnam High Yield Advantage R	High Yield Bond	0.00%	5.48	5.48	4.85	19.74	6.47	8.41	1.29	
ML High Yield Master			5.15	5.15	5.63	23.78	7.84	8.96		
Cat: High Yield Bond			5.52	5.52	4.82	20.58	6.11	7.71	0.96	
Janus Balanced T	Hybrid / Balanced	0.20%	9.39	9.39	6.53	14.68	6.41	6.57	0.84	
40% BC Agg / 60% S&P 500			7.56	7.56	8.58	16.91	4.15	5.14		
Cat: Moderate Allocation			8.32	8.32	4.79	16.97	3.17	5.09	1.09	
Maxim T. Rowe Price Equity Income	Large Value	2.11%	11.31	11.31	4.35	23.48	0.68	4.57	0.83	
Russell 1000 Value			11.12	11.12	4.79	22.82	-0.81	4.58		
Cat: Large Value			11.08	11.08	4.07	21.54	0.06	4.35	1.05	
American Funds Fundamental Investors R4	Large Blend	0.01%	11.59	11.59	2.67	21.30	2.13	6.25	0.66	
Maxim Stock Index		0.01%	12.48	12.48	7.35	23.21	1.73	3.86	0.60	
S&P 500			12.59	12.59	8.54	23.42	2.01	4.12		
Cat: Large Blend			12.62	12.62	5.17	21.84	1.31	4.06	1.07	
American Funds Growth Fund of Amer R4	Large Growth	0.62%	14.59	14.59	3.52	19.70	1.88	5.17	0.68	
Russell 1000 Growth			14.69	14.69	11.02	25.28	5.10	4.28		
Cat: Large Growth			15.88	15.88	7.21	23.05	3.72	4.31	1.11	
JPMorgan Mid Cap Value A	Mid Value	0.05%	10.98	10.98	6.60	26.40	2.98	8.60	1.25	
Russell Mid Cap Value			11.41	11.41	2.28	29.18	1.26	8.02		
Cat: Mid Value			12.21	12.21	0.76	26.06	1.77	6.71	1.17	
Ariel Appreciation Investor	Mid Blend	0.01%	16.25	16.25	0.66	33.54	3.78	5.53	1.15	
Lord Abbett Value Opportunities A		0.03%	9.00	9.00	-1.87	23.00	6.00	N/A	1.31	
Russell Mid Cap			12.94	12.94	3.31	29.13	3.03	7.85		
Cat: Mid Blend			12.40	12.40	-0.01	25.78	1.94	6.67	1.23	
Maxim T. Rowe Price MidCap Growth	Mid Growth	0.23%	13.24	13.24	2.53	27.72	6.81	8.28	1.05	
Russell Mid Cap Growth			14.52	14.52	4.43	29.16	4.44	6.92		
Cat: Mid Growth			14.50	14.50	2.10	26.07	4.32	6.40	1.21	

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Funds shaded in Yellow have been placed on the watch list.

City of Torrance 457 Plan B

Data as of 3/31/2012

Fund Performance Summary (page 2 of 2)

3/31/2012										
Investment Option / Benchmark	Category	Weight	3 Month	YTD	1 Year	3 Year	5 Year	10 Year	Expense Ratio	
Maxim Loomis Sayles SmallCap Value	Small Blend	0.16%	12.36	12.36	2.08	25.34 (74)	3.03 (37)	7.16 (42)	1.12	
Blackrock Russ 2000 Idx Fd (for DC)		0.26%	12.45	12.45	-0.27	26.94	2.19	6.44	0.25	
Russell 2000			12.44	12.44	-0.18	26.90	2.13	6.45		
Cat: Small Blend			12.35	12.35	-0.34	27.58	2.11	6.88	1.30	
Prudential Jennison Small Company A	Small Growth	0.19%	10.90	10.90	-0.45	25.97 (70)	4.07 (43)	7.88 (11)	1.16	
Russell 2000 Growth			13.28	13.28	0.68	28.36	4.15	6.00		
Cat: Small Growth			13.95	13.95	0.78	27.60	3.61	5.97	1.34	
Oppenheimer Global A	Global Equity	0.05%	13.84	13.84	-1.66	22.45 (35)	0.70 (43)	6.13 (46)	1.16	
MSCI World			11.56	11.56	0.56	20.24	-0.70	4.72		
Cat: World Stock			12.76	12.76	-1.00	21.33	0.26	5.73	1.32	
Artisan International Inv	Foreign Equity	0.09%	15.48	15.48	3.52	20.72 (17)	-0.79 (27)	6.04 (45)	1.22	
Maxim MFS International Growth Portfolio		0.01%	14.36	14.36	-0.19	19.78 (25)	0.22 (18)	N/A (N/A)	1.20	
MSCI EAFE			10.86	10.86	-5.77	17.13	-3.51	5.70		
Cat: Foreign Large Equity			11.81	11.81	-5.91	17.82	-2.50	5.95	1.26	
Maxim Conservative Profile II	Lifestyle	0.04%	5.12	5.12	4.14	12.75	4.66	5.40	0.83	
65% BC Agg / 35% S&P 500			4.49	4.49	8.36	12.75	5.18	5.54		
Cat: Conservative Allocation			5.31	5.31	4.78	14.93	3.98	5.19	1.06	
Maxim Moderately Cnsvr Profile II		0.54%	6.82	6.82	3.88	14.59	4.26	5.79	0.89	
Maxim Moderate Profile I		0.00%	8.34	8.34	3.50	16.62	3.65	5.69	1.12	
40% BC Agg / 60% S&P 500			7.56	7.56	8.58	16.91	4.15	5.14		
Cat: Moderate Allocation			8.32	8.32	4.79	16.97	3.17	5.09	1.09	
Maxim Moderately Agrsv Profile II		0.03%	9.90	9.90	3.33	19.61	2.91	5.76	1.08	
S&P 500			12.59	12.59	8.54	23.42	2.01	4.12		
Cat: Aggressive Allocation			10.47	10.47	2.94	19.78	1.68	4.67	1.01	
Maxim Aggressive Profile II		0.16%	12.77	12.77	2.44	23.12	0.91	5.11	1.23	
S&P 500			12.59	12.59	8.54	23.42	2.01	4.12		
Cat: Large Blend			12.62	12.62	5.17	21.84	1.31	4.06	1.07	
Maxim Lifetime 2055 II T	Lifecycle	0.00%	11.72	11.72	1.95	N/A	N/A	N/A	1.02	
DJ Target 2055			11.36	11.36	1.89	23.27	2.49	7.13		
Cat: Target Date 2050+			11.22	11.22	2.05	21.18	1.06	4.34	1.12	

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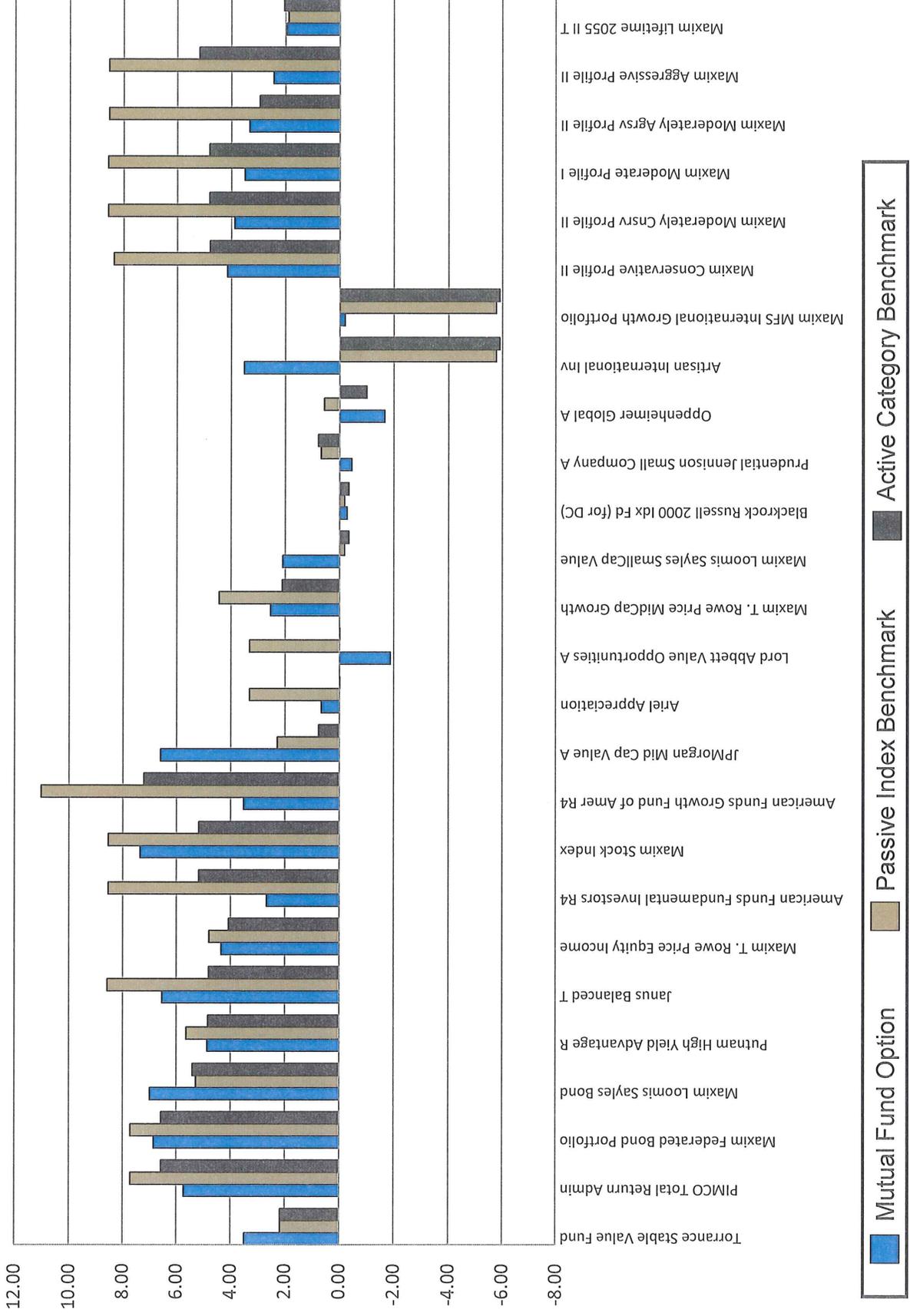
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City of Torrance 457 Plan B

Data as of 3/31/2012

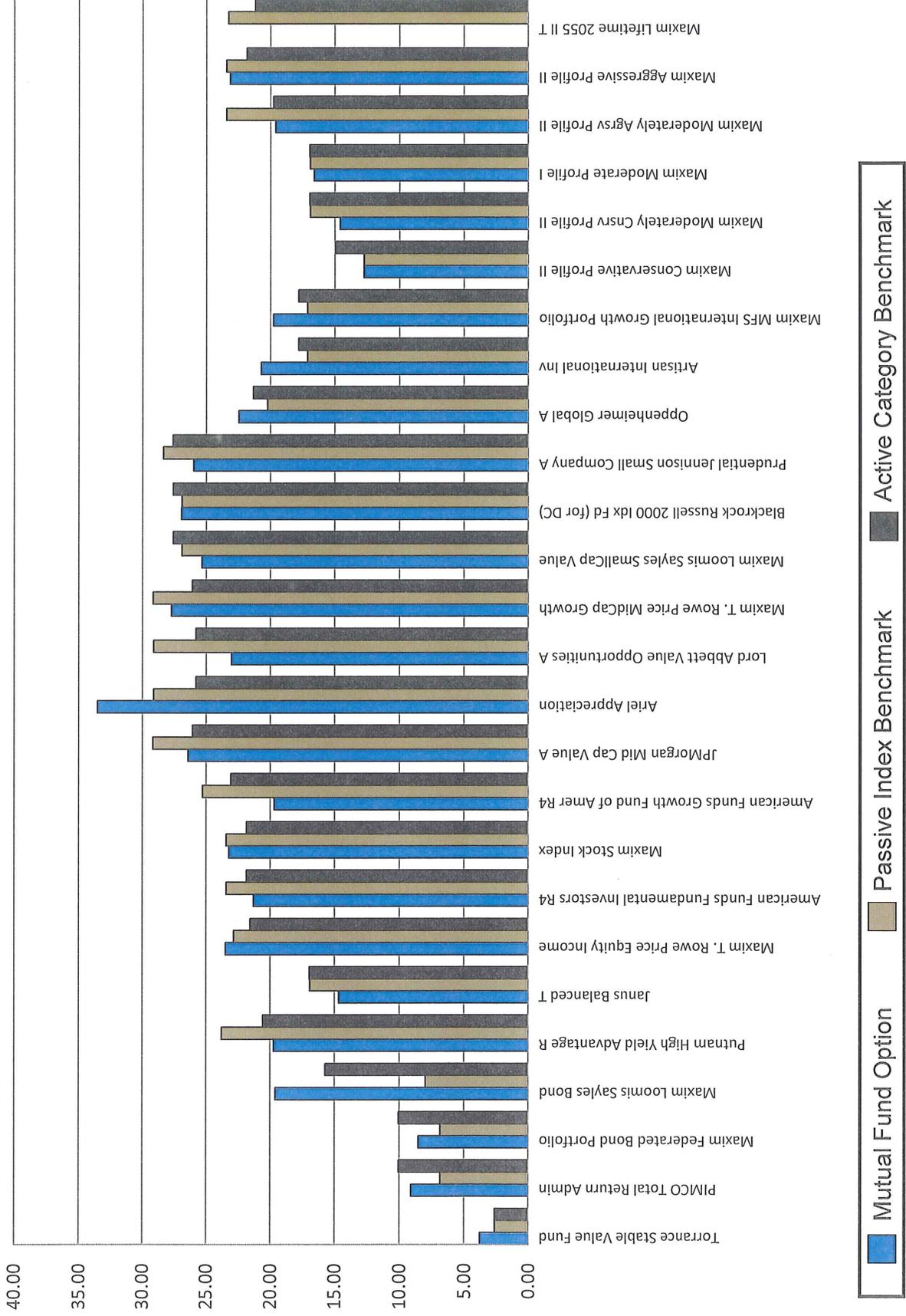
1-Year Fund Performance vs. Index and Category Benchmark



City of Torrance 457 Plan B

Data as of 3/31/2012

3-Year Fund Performance vs. Index and Category Benchmark



5-Year Fund Performance vs. Index and Category Benchmark

