

CITY OF TORRANCE
DEFERRED COMPENSATION PLAN COMMITTEE
JUNE 1, 2011 MEETING MINUTES

- Members Present:** Ms. Dana Cortez – City Treasurer
Ms. Melody Lawrence – Acting HR Director
Mr. John Fellows – City Attorney
- Guests:** Mr. Aram Chaparyan, Ms. Leyta Fuentes, and Ms. Joyce Reyes – City of Torrance
Ms. Usha Archer and Ms. Carol Say – Great-West Retirement Services
- 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 June 1, 2011 at 1:45 pm. The meeting was intended to review the first quarter 2011 City of Torrance Deferred Compensation Plans (the "Plans") performance report prepared by BFSG as well as items noted on the meeting agenda.

INVESTMENT MEETING

I. APPROVAL OF MARCH 1, 2011 MEETING MINUTES

For clarification purposes, Ms. Archer asked that an edit be made to the minutes with regards to the City of Torrance newsletter discussion. The Committee agreed. As edited, a motion was made to approve the minutes. The motion was seconded and unanimously voted as approved.

II. RETIREMENT PLAN QUARTERLY INVESTMENT REVIEW

Mr. Campbell reviewed the BFSG Retirement Plan Quarterly Investment Review, which was distributed at the meeting. His presentation focused on a review of the funds in the Plans using the Investment Policy Statement ("IPS") qualitative and quantitative criteria. Market conditions were considered and discussed relative to funds that had under- or over-performed their respective benchmarks. Overall, for the quarter ending 3/31/11, the 457 Plan A and 401(a) Plans had seven funds ranked as "outperform;" four funds ranked as "perform," and one fund ranked as "underperform," per the IPS methodology.

Each fund offered in the Plans was discussed. Mr. Campbell proposed reviewing some of the 457 Plan A and 401(a) Plans' funds in even greater detail at the next quarterly Committee meeting. Specifically, the funds to be more closely scrutinized next quarter are: Dodge & Cox Stock, which had notable underperformance against its peers on a 3- and 5-year basis due to some of its past financial stock holdings; AllianceBernstein, which has had considerable management turnover in the last eight years; and Artisan International, which has had some underperformance on a 3- and 10-year basis.

The Asset Allocation Models in the 457 Plan A and 401(a) Plans were noted as posting respectable performance against their peers.

Overall, the 457 Plan A and 401(a) Plans' performance shows an average quantitative analysis summary ranking of 23, and a Plan-weighted ranking of 20, which are both considered "outperform." As compared to the custom passive and active benchmarks, Mr. Campbell reported that the 457 Plan A and 401(a) Plans outperformed on a 3-month, one-, 3-, and 5-year basis. The Plans also remain competitively priced, with a weighted expense ratio of 59 basis points versus the category average at 78 basis points.

To potentially reduce costs to participants even further, Mr. Campbell asked if Great West would permit the use of lower expense index funds in all of the Plans. Ms. Archer committed to inquiring internally at Great West accordingly.

The Part-Time (3121) Plan funds were reviewed. While approximately 95% of the assets are invested in the Stable Value or Guaranteed Certificate funds, which are performing well, it was noted that many of the Plan's remaining investment options have a quantitative analysis ranking that is average ("perform") or below average ("underperform"). As such, BFSG prepared a Fund Search to address the struggling asset classes within the Part-Time Plan.

III. FUND SEARCH for PART TIME (3121) PLAN

The Committee reviewed the Fund Search prepared by BFSG to consider alternate funds in the Large Cap Blend; Large Cap Growth; Mid Cap Value; Small Cap Blend; and Small Cap Growth categories in the Part-Time Plan. The Search presentation was distributed at the meeting. Using the IPS quantitative and qualitative criteria, which includes, among other things, an analysis of performance; risk-adjusted performance; style consistency; and expense, the Committee reviewed the funds presented in each category. After discussion, it was voted and agreed that the following changes would be made to the Part-Time Plan line-up:

- Davis NY Venture will be replaced by American Funds Fundamental Investors in the Large Cap Blend category
- American Century Ultra, American Funds Growth Fund of America R3, Maxim Janus Large Cap Growth, and Oppenheimer Capital Appreciation will be replaced by American Funds Growth Fund of America R4 in the Large Cap Growth category
- Columbia Mid Cap Value will be replaced by JP Morgan Mid Cap Value in the Mid Cap Value category
- Royce Total Return and Maxim Ariel Small Cap Value will be replaced by BlackRock Russell 2000 Index in the Small Cap Blend category (pending approval from Great West)
- Ridgeworth Small Cap Growth will be replaced by Prudential Jennison Small Company in the Small Cap Growth category

It was noted that funds were selected as replacements based on overall portfolio composition in the Part-Time Plan, and not based solely on past performance and/or current market activity.

IV. DISCUSSION ITEMS

Qualified Default Investment Alternative: Ms. Fequiere discussed the implications of defaulting participants into a fund, and reviewed the provisions for qualified default investment alternatives ("QDIA") under ERISA. Ms. Archer noted that many governmental plans use a Stable Value fund as their default option, even though Stable Value funds do not qualify as QDIAs. Stable Value funds are sometimes used as the default based on the fact that they can often times be deemed prudent depending on plan demographics.

Ms. Archer provided a report on the number of participants currently invested in the default fund in the Plans, noting that approximately 26 participants have not made a proactive election with regards to their investment option, and as such remain invested in the Stable Value fund as the default fund. Ms. Archer further noted that procedures are currently in place to try to obtain investment elections from those who don't make an election on their own. The Committee concurred that keeping the current procedure in place is prudent at this time.

Administrative Meeting

V. GREAT WEST REPORTS

Ms. Say provided an update on recent educational efforts, noting that by relocating to a different position in the building she has been able to reach far more participants in the police department. Overall, educational efforts continue to be successful.

Ms. Archer advised that Great West has gone under technological enhancements, which are anticipated to be rolled out in 2012. At the next Committee meeting she will provide additional information on the updates to the Voice Response System, as well as screen shots depicting the enhancements to the website.

Ms. Archer distributed and reviewed plan statistics and asset allocation data for the Plans. Her review included participation rates, asset allocation by asset class, and average account balance.

VI. DISCUSSION ITEMS

Revenue Sharing Account Usage – Considerations: Mr. Campbell reviewed the current arrangement between the City and Great West, noting that Great West provides services to the Plans for an annual fee of 12 basis points on Plan assets. Further, 8 basis points are credited to a Revenue Sharing Account for the City to use towards plan-related expenses. As the Revenue Sharing Account now has a substantial balance, Mr. Campbell distributed and presented an analysis depicting ways in which the City may be able to offer lower expense ratio share classes on certain funds within the Plans, which would consequently reduce the revenues to Great West. To offset the revenue reduction to Great West, the Revenue Sharing Account balance could be utilized. Ms. Archer committed to inquiring internally at Great West to see if such a request could be accommodated. She further advised that should the request be approved, the share class change would appear as a line item change on participant statements. As such, the Committee agreed that all fund/share class changes should be made at the same time to simplify employee communication and prevent confusion. The Part-Time Plan fund changes agreed upon during the Fund Search discussion earlier will consequently be delayed until such time as all fund and share class change decisions have been approved by Great West and discussed at the next Committee meeting scheduled for September 1st.

Roth 457(b): Ms. Cortez advised that some employees have inquired regarding the availability of Roth in the 457 Plan. Ms. Archer reviewed the provisions of Roth, noting that Great West can support the initiative. She committed to bringing collateral materials to the next meeting for the Committee's review/consideration.

VII. ADJOURNMENT

The Deferred Compensation Committee meeting adjourned at 3:05 pm.

Fund Performance Summary – 457 Plan A and 401(a) Plans

Investment Option / Benchmark		Category	Weight	3/31/2011		1 Year	3 Year	5 Year	10 Year	Expense Ratio
				3 Month	YTD					
Torrence Stable Value	Fixed	49.01%	0.92	0.92	0.92	3.76	4.15	4.35	N/A	0.44
Great West Guaranteed Certificate	Fixed	0.03%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	
Cat: Stable Value			0.52	0.52	0.52	2.33	2.83	3.37	3.91	
Dodge & Cox Income	Intermediate Bond	0.64%	1.36	1.36	1.36	6.25	7.72 (18)	6.72 (25)	6.21 (17)	0.43
PIMCO Total Return Admin	Intermediate Bond	2.95%	1.04	1.04	1.04	6.59	8.04 (15)	8.14 (5)	6.88 (6)	0.71
Barclays Aggregate Bond	Intermediate Bond		0.42	0.42	0.42	5.12	5.30	6.03	5.56	
Cat: Intermediate Bond			1.05	1.05	1.05	6.43	5.98	5.76	5.37	0.80
Dodge & Cox Stock	Large Value	4.50%	5.95	5.95	5.95	12.74	0.53 (67)	0.17 (82)	5.91 (17)	0.52
Russell 1000 Value	Large Value		6.46	6.46	6.46	15.15	0.60	1.38	4.53	
Cat: Large Value			6.08	6.08	6.08	14.44	1.59	1.93	4.54	1.08
American Funds Fundamental Investors R4	Large Blend	1.16%	6.60	6.60	6.60	16.51	1.95 (53)	4.25 (18)	6.10 (14)	0.66
BlackRock Eq Idx Fund CF	Large Blend	3.05%	5.94	5.94	5.94	15.73	2.50	2.72	3.37	0.18
S&P 500	Large Blend		5.92	5.92	5.92	15.65	2.35	2.62	3.29	
Cat: Large Blend			5.70	5.70	5.70	14.31	2.14	2.34	3.75	1.09
American Funds Growth Fund of Amer R4	Large Growth	7.15%	5.30	5.30	5.30	13.51	1.71 (74)	2.69 (62)	4.89 (17)	0.68
Russell 1000 Growth	Large Growth		6.03	6.03	6.03	18.26	5.19	4.34	2.99	
Cat: Large Growth			5.61	5.61	5.61	16.94	3.69	3.30	3.27	1.13
JPMorgan Mid Cap Value A	Mid Value	0.93%	6.10	6.10	6.10	20.53	6.21 (56)	4.26 (51)	9.74 (26)	1.25
Russell Mid Cap Value	Mid Value		7.42	7.42	7.42	22.26	6.61	4.04	9.24	
Cat: Mid Value			6.95	6.95	6.95	20.48	6.70	4.15	8.50	1.20
Fidelity Advisor Leveraged Co Stk A	Mid Blend	1.17%	8.11	8.11	8.11	24.75	2.99 (85)	4.74 (45)	15.29 (1)	1.15
Russell Mid Cap	Mid Blend		7.63	7.63	7.63	24.27	7.25	4.67	8.52	
Cat: Mid Blend			7.61	7.61	7.61	22.12	6.43	4.17	8.03	1.26
BlackRock Mid Cap Eq Idx Fd (for DC)	Mid Blend	2.30%	9.36	9.36	9.36	26.95	10.04	6.11	9.40	0.25
S&P 400	Mid Blend		9.36	9.36	9.36	26.95	10.00	6.07	9.36	
Cat: Mid Blend			7.61	7.61	7.61	22.12	6.43	4.17	8.03	1.26
T. Rowe Price Mid-Cap Growth Adv	Mid Growth	4.72%	8.65	8.65	8.65	28.16	10.77 (16)	7.40 (15)	9.75 (8)	1.04
Russell Mid Cap Growth	Mid Growth		7.85	7.85	7.85	26.60	7.63	4.93	6.94	
Cat: Mid Growth			7.85	7.85	7.85	26.19	6.91	4.66	6.27	1.24
Columbia Small Cap Value II Z	Small Value	0.52%	9.74	9.74	9.74	27.76	7.56 (68)	4.08 (49)	N/A (NA)	1.11
Russell 2000 Value	Small Value		6.60	6.60	6.60	20.63	6.76	2.23	9.01	
Cat: Small Value			6.85	6.85	6.85	22.97	9.10	3.98	10.14	1.32
BlackRock Russ 2000 Idx Fd (for DC)	Small Blend	2.95%	8.02	8.02	8.02	25.87	8.68	3.37	7.88	0.25
Russell 2000	Small Blend		7.94	7.94	7.94	25.79	8.57	3.35	7.87	
Cat: Small Blend			7.85	7.85	7.85	25.39	8.30	3.47	8.99	1.30
Prudential Jennison Small Company A	Small Growth	1.43%	9.21	9.21	9.21	27.19	8.76 (52)	5.19 (29)	10.43 (6)	1.19
Russell 2000 Growth	Small Growth		9.24	9.24	9.24	31.04	10.16	4.34	6.44	
Cat: Small Growth			9.34	9.34	9.34	29.37	8.98	3.84	6.76	1.35

Fund Performance Summary (continued) – 457 Plan A and 401(k) Plans

		3/31/2011							
Investment Option / Benchmark	Category	Weight	3 Month	YTD	1 Year	3 Year	5 Year	10 Year	Expense Ratio
AllianceBern Intl Growth A	Foreign Large Equity	1.16%	0.59	0.59	11.31	-3.80 (70)	1.20 (60)	8.20 (14)	1.31
Artisan International Inv	Foreign Large Equity	3.44%	3.46	3.46	12.40	-2.87 (57)	2.00 (45)	5.39 (56)	1.23
Blackrock EAFE Eq Idx Fund CF	Foreign Large Equity	0.45%	3.43	3.43	10.74	-2.71	1.57	5.60	0.25
MSCI EAFE			3.36	3.36	10.42	-3.01	1.30	5.39	
Cat: Foreign Large Equity			3.10	3.10	12.44	-2.27	1.88	5.99	1.30
Torrance Conservative	Lifestyle	0.86%	2.75	2.75	10.18	5.37	5.44	N/A	0.71
65% BC Agg / 35% S&P 500			2.33	2.33	9.13	4.80	5.20	5.10	
Cat: Conservative Allocation			2.99	2.99	10.79	4.84	4.41	4.88	1.10
Torrance Moderate		6.28%	3.75	3.75	12.79	4.92	4.93	N/A	0.78
40% BC Agg / 60% S&P 500			3.70	3.70	11.79	4.10	4.37	4.55	
Cat: Moderate Allocation			4.22	4.22	12.29	3.89	3.93	4.88	1.10
Torrance Aggressive		5.31%	4.83	4.83	15.57	4.38	4.34	N/A	0.85
S&P 500			5.92	5.92	15.65	2.35	2.62	3.29	
Cat: Large Blend			5.70	5.70	14.31	2.14	2.34	3.75	1.09

Fund Performance Summary – 457 Plan B (Part-Time Plan)

3/31/2011

Investment Option / Benchmark	Category	Weight	3 Month	YTD	1 Year	3 Year	5 Year	10 Year	Expense Ratio
Torrance Stable Value	Fixed	55.22%	0.92	0.92	3.76	4.15	4.35	N/A	0.44
Great West Guaranteed Certificate		39.19%	N/A	N/A	N/A	N/A	N/A	N/A	
Cat: Stable Value			0.52	0.52	2.33	2.83	3.37	3.91	
PIMCO Total Return Admin	Intermediate Bond	0.17%	1.04	1.04	6.59	8.04 (15)	8.14 (5)	6.88 (6)	0.71
Barclays Aggregate Bond			0.42	0.42	5.12	5.30	6.03	5.56	
Cat: Intermediate Bond			1.05	1.05	6.43	5.98	5.76	5.37	0.80
Janus Balanced T	Hybrid / Balanced	0.11%	4.03	4.03	8.39	6.02 (12)	6.71 (5)	6.08 (19)	0.85
40% BC Agg / 60% S&P 500			3.70	3.70	11.79	4.10	4.37	4.55	
Cat: Moderate Allocation			4.22	4.22	12.29	3.89	3.93	4.88	1.10
Maxim T. Rowe Price Equity Income	Large Value	2.18%	5.74	5.74	14.10	1.90 (43)	2.56 (35)	5.02 (36)	0.84
Russell 1000 Value			6.46	6.46	15.15	0.60	1.38	4.53	
Cat: Large Value			6.08	6.08	14.44	1.59	1.93	4.54	1.08
Davis NY Venture R	Large Blend	0.01%	4.50	4.50	12.45	0.39 (82)	1.35 (71)	3.90 (42)	1.23
Maxim Stock Index		0.01%	6.05	6.05	15.99	2.49	2.38	3.23	0.60
S&P 500			5.92	5.92	15.65	2.35	2.62	3.29	
Cat: Large Blend			5.70	5.70	14.31	2.14	2.34	3.75	1.09
American Century Ultra Inv	Large Growth	0.10%	5.87	5.87	17.67	3.95 (46)	2.72 (60)	2.64 (60)	1.00
American Funds Growth Fund of Amer R3		0.26%	5.24	5.24	13.15	1.42 (76)	2.41 (67)	4.58 (22)	0.97
Maxim Janus Large Cap Growth		0.02%	2.23	2.23	6.99	-1.22 (95)	3.68 (40)	N/A (N/A)	1.05
Oppenheimer Capital Appreciation A	Large Growth	0.09%	4.45	4.45	10.08	0.11 (88)	0.71 (90)	1.17 (90)	1.19
Russell 1000 Growth			6.03	6.03	18.26	5.19	4.34	2.99	
Cat: Large Growth			5.61	5.61	16.94	3.69	3.30	3.27	1.13
Columbia Mid Cap Value R	Mid Value	0.01%	7.14	7.14	21.58	4.34 (87)	3.13 (76)	N/A (N/A)	1.44
Russell Mid Cap Value			7.42	7.42	22.26	6.61	4.04	9.24	
Cat: Mid Value			6.95	6.95	20.48	6.70	4.15	8.50	1.20
Ariel Appreciation	Mid Blend	0.01%	7.01	7.01	19.41	10.84 (10)	5.83 (25)	7.75 (48)	1.18
Russell Mid Cap			7.63	7.63	24.27	7.25	4.67	8.52	
Cat: Mid Blend			7.61	7.61	22.12	6.43	4.17	8.03	1.26
Maxim T. Rowe Price MidCap Growth	Mid Growth	0.51%	8.57	8.57	27.88	10.30 (20)	7.04 (17)	9.41 (11)	1.06
Russell Mid Cap Growth			7.85	7.85	26.60	7.63	4.93	6.94	
Cat: Mid Growth			7.85	7.85	26.19	6.91	4.66	6.27	1.24
Maxim Loomis Sayles SmallCap Value	Small Value	0.25%	7.83	7.83	26.94	8.39 (45)	4.45 (39)	9.48 (39)	1.08
Russell 2000 Value			6.60	6.60	20.63	6.76	2.23	9.01	
Cat: Small Value			6.85	6.85	22.97	9.10	3.98	10.14	1.32
Royce Total Return K	Small Blend	0.10%	6.31	6.31	22.05	6.17 (78)	3.80 (50)	9.15 (48)	1.44
Maxim Ariel SmallCap Value		0.33%	8.39	8.39	25.82	11.51 (15)	4.86 (31)	8.79 (54)	1.15
Russell 2000			7.94	7.94	25.79	8.57	3.35	7.87	
Cat: Small Blend			7.85	7.85	25.39	8.30	3.47	8.99	1.30
RidgeWorth Small Cap Growth Stock I	Small Growth	0.30%	11.57	11.57	28.90	8.27 (57)	1.69 (80)	7.01 (44)	1.22
Russell 2000 Growth			9.24	9.24	31.04	10.16	4.34	6.44	
Cat: Small Growth			9.34	9.34	29.37	8.98	3.84	6.76	1.35

Funds listed in Green are scheduled to be added. Funds listed in Blue are frozen to new contributions.
 Funds listed in Red are scheduled to be removed. Funds shaded in Yellow have been placed on the watch list.

Fund Performance Summary (continued) – 457 Plan B (Part-Time Plan)

3/31/2011											
Investment Option / Benchmark	Category	Weight	3 Month	YTD	1 Year	3 Year	5 Year	10 Year	Expense Ratio		
Oppenheimer Global A	Global Equity	0.15%	5.70	5.70	15.47	3.83 (17)	3.06 (48)	6.78 (37)	1.20		
MSCI World			4.80	4.80	13.45	-0.25	2.08	4.21			
Cat: World Stock			4.12	4.12	14.91	1.14	2.98	5.70	1.34		
Artisan International Inv	Foreign Equity	0.21%	3.46	3.46	12.40	-2.87 (57)	2.00 (45)	5.39 (56)	1.23		
MSCI EAFE			3.36	3.36	10.42	-3.01	1.30	5.39			
Cat: Foreign Large Equity			3.10	3.10	12.44	-2.27	1.88	5.99	1.30		
Maxim Conservative Profile II	Lifestyle	0.04%	2.24	2.24	8.05	5.82	5.38	5.26	0.83		
65% BC Agg / 35% S&P 500			2.33	2.33	9.13	4.80	5.20	5.10			
Cat: Conservative Allocation			2.99	2.99	10.79	4.84	4.41	4.88	1.10		
Maxim Moderately Cnsvr Profile II		0.52%	2.81	2.81	9.39	5.57	5.16	5.56	0.90		
Maxim Moderate Profile II			3.47	3.47	11.13	5.09	5.00	5.80	0.98		
40% BC Agg / 60% S&P 500			3.70	3.70	11.79	4.10	4.37	4.55			
Cat: Moderate Allocation			4.22	4.22	12.29	3.89	3.93	4.88	1.10		
Maxim Moderately Agrsv Profile II		0.02%	4.13	4.13	12.67	4.32	4.27	5.72	1.09		
Maxim Aggressive Profile II		0.12%	5.20	5.20	15.65	2.42	2.50	5.24	1.24		
S&P 500			5.92	5.92	15.65	2.35	2.62	3.29			
Cat: Large Blend			5.70	5.70	14.31	2.14	2.34	3.75	1.09		
Maxim Lifetime 2035 II T	Lifecycle	0.05%	4.69	4.69	14.99	N/A (N/A)	N/A (N/A)	N/A (N/A)	1.00		
DJ Target 2035			4.47	4.47	16.29	4.48	4.36	7.31			
Cat: Target Date 2031-2035			4.75	4.75	14.94	2.51	2.50	N/A	1.08		