

Deferred Compensation Plan BOARD REPORT 15-40

Date: August 5, 2015
To: Board of Deferred Compensation Administration
From: Staff
Subject: Investment Provider Presentations

Board of Deferred
Compensation Administration

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Recommendation:

That the Board of Deferred Compensation Administration approve staff's proposal for scheduling future investment provider presentations at Board meetings.

Discussion:

On a quarterly basis the Board's investment consultant, Mercer Investment Consulting ("Mercer"), provides investment manager performance/organization reviews of all funds included within the Plan's investment menu. Mercer continuously monitors all Plan funds to ensure they are performing at acceptable levels and to assist the Board in conducting its investment oversight and due diligence.

Over the past year, in accordance with its Master Procurements and Contracting Calendar, the Board, staff and consultant have conducted a comprehensive set of institutional manager procurements and mutual fund searches for each of the Plan's investment option categories and mandates. These include:

- Investment manager procurements for the FDIC-Insured Savings Account Option and the Plan's Stable Value Fund; and
- Mutual fund searches for all passive and active managers for the Plan's core bond and equity options.

In order to incorporate these selections and finalize the Plan's consolidated investment menu redesign, the Plan completed fund changes that took place on April 20, 2015 and most recently on June 26, 2015. Based on the calendar, the Board now has five-year relationships established for all of its providers.

These changes have also introduced a number of new investment managers to the Plan. The Plan now has assets invested with eleven different investment product managers. Prior to recent procurement searches, the Plan's investment managers would present at Board meetings concurrent with Mercer's quarterly investment reviews to provide economic forecasts, updates on performance and changes within their organization. These presentations were temporarily suspended during the recently conducted search processes but should now resume now that those processes are concluded.

Given that the total number of investment managers and mandates has expanded, and in the interest of maintaining efficiencies in the conduct and use of Board meeting time, staff proposes resuming the quarterly investment manager presentation schedule but conducting it over a rolling six-quarter cycle. This would provide the Board the opportunity to meet with each of its investment managers relative to each investment menu mandate over a period of 18 months.

Staff has developed a proposed meeting schedule that alternates presentations between the Fixed Income/Cash and Equities universes. Staff took into consideration factors such as combining like mandates as well as consolidating presentations with firms that manage multiple mandates. The proposed grouping/scheduling of investment managers is detailed as follows:

CATEGORY	FUND(S)	INVESTMENT MANAGER(S)	BOARD DATE
Fixed Income/Cash	DCP Bond Fund	<ul style="list-style-type: none"> Loomis Sayles: <i>Active Manager</i> Vanguard: <i>Passive Manager</i> 	Nov. 2015
Equities	DCP Mid-Cap Fund DCP Small-Cap Fund	<ul style="list-style-type: none"> Voya: <i>Active Growth (Mid-Cap)</i> Ridgeworth: <i>Active Value (Mid-Cap)</i> Hartford: <i>Active Growth (Small-Cap)</i> 	Feb. 2016
Fixed Income/Cash	DCP Stable Value Fund	<ul style="list-style-type: none"> Galliard 	May 2016
Equities	DCP Large-Cap Fund DCP Mid-Cap Fund DCP Small-Cap Fund	<ul style="list-style-type: none"> Vanguard: <i>Passive Manager (Large, Mid, Small-Cap)</i> 	Aug. 2016
Fixed Income/Cash	FDIC-Insured Savings	<ul style="list-style-type: none"> Bank of the West East West Bank 	Nov. 2016
Equities	DCP Small-Cap Fund DCP International Fund	<ul style="list-style-type: none"> DFA: <i>Active Value (Small-Cap), Emerging Markets (International)</i> Brandes: <i>Int. Small-Cap (International)</i> MFS: <i>Developed Markets (International)</i> 	Feb. 2017

Staff's intent is to initiate this cycle with the Board's next quarterly investment review at its November 2015 Board meeting.

Submitted by: _____
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Reviewed by: _____
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Approved by: _____
Steven Montagna