

Item 18



Travis County Commissioners Court Agenda Request

Meeting Date: April 9, 2013

Prepared By/Phone Number: Norman McRee/854-4821

Elected/Appointed Official/Dept. Head: Leslie Browder, County Executive, Planning & Budget *LB*

Commissioners Court Sponsor: Samuel T. Biscoe, County Judge

AGENDA LANGUAGE:

Consider and take appropriate action on the following items affecting the Deferred Compensation Plan:

- A. Review summary of Plan results and performance.
- B. Take appropriate actions related to recommendation from the Deferred Compensation Oversight Committee to add target date fund from T. Rowe Price with retirement dates of 2015, 2025, 2035, 2045, and 2055
- C. Take appropriate actions related to recommendation from the Deferred Compensation Oversight Committee to expand investment options available in the self-directed brokerage account investment option to include stocks, bonds, and exchange traded funds (ETFs) and closed end funds.
- D. Take appropriate actions related to recommendation from the Deferred Compensation Oversight Committee to eliminate Perkins Mid-Cap Value Fund and Pioneer Fundamental Value Fund as fund investment options and replace with Hotchkiss and Wiley Mid-Cap Value Fund, and JPMorgan Equity Income Fund
- E. Take appropriate actions related to Continuation of membership of Vicki Skinner on Deferred Compensation Oversight Committee after retirement and appoint C. W. Bruner as non-voting member from Purchasing.

BACKGROUND/SUMMARY OF REQUEST AND ATTACHMENTS:

See attached.

STAFF RECOMMENDATIONS:

The Benefits Manager has reviewed the recommendations submitted and concurs with the findings of the Deferred Compensation Oversight Committee and therefore recommends approval of the proposed motions submitted.

ISSUES AND OPPORTUNITIES:

See attached.

AGENDA REQUEST DEADLINE: All agenda requests and supporting materials must be submitted as a pdf to Agenda@co.travis.tx.us by **Tuesdays at 5:00 p.m.** for the next week's meeting.

FISCAL IMPACT AND SOURCE OF FUNDING:

None

REQUIRED AUTHORIZATIONS:

Travis County Deferred Compensation Oversight Committee

Voting Members

Elliott Beck County Attorney 854-9415

Michelle Brinkman District Clerk 854-4744

Greg Jacobs County Auditor 854-9125

Norman McRee HRMD 854-4821

Leroy Nellis PBO 854-9066

Vick Skinner District Attorney 854-9522

Jim Wilson Juvenile Court 854-7059

Nancy Goodman-Gill, HHS & VS

Deborah Laudermilk, Planning and Budget Office

Paul Matthews, Sheriff's Office

Cynthia McDonald, TNR

Non-Voting Members

Al DiCristofaro Consultant

Peter Einhorn Commissioner, Pct. 2 854-9222

Dan Mansour HRMD 854-9499

Purchasing

Barbara Wilson County Attorney 854-9415



HRMD

Human Resources Management Department

700 Lavaca Street, 4th Floor • P.O. Box 1748 • Austin, Texas 78767 • (512) 854-9165 / FAX(512) 854-4203

MEMORANDUM

DATE: March 31, 2013

TO: Samuel T. Biscoe, County Judge
Ron Davis, Commissioner, Precinct 1
Sarah Eckhardt, Commissioner, Precinct 2
Gerald Daugherty, Commissioner, Precinct 3
Margaret Gomez, Commissioner, Precinct 4

VIA: Leslie Browder, County Executive, Planning & Budget *LB*

FROM: Deferred Compensation Oversight Committee

SUBJECT: Summary of Plan Results and Committee Recommendations

Background:

Commissioners Court created the Deferred Compensation Oversight Committee ("Committee") on October 9, 2007. Since that time the Committee has developed an investment policy that was approved by the Commissioners Court in 2008 before the issuance of an RFP for third party administration and recordkeeping. As a result of this solicitation, on August 26, 2008 the Court approved Great-West Retirement Services as the plan administrator. At the end of December 2008, Great-West Life and Insurance Annuity Company (Great-West') became the record keeper for the Travis County, Texas 457 (b) Deferred Compensation Plan ("Plan"). At that time, the provisions in the Plan remained the same but new documents were approved.

Summary of Plan

Since then, the Plan has grown from 2028 employees participating in 2008 to 2,538 as of March 6, 2013. This represents a little more than a 25% increase in participation.

When the investment balances, with the exception of the fixed account, were transferred to Great-West on January 30, 2009, the plan value was \$26,727,765.07, including the fixed account value of \$7,049,469.31. The fixed account is being transferred over sixty (60) months and the transfer will be complete on January 30, 2014. As of March 6, 2013, the Current Value of Investments is \$53,798,365.53, including a balance of \$1,362,141.97 in the Nationwide fixed account pending transfer. The current value represents a 101% increase since January 30, 2009 or more than twice the level of investment.

Issues and Opportunities:

As a result of greater participation, the interests of the participants have expanded. Several proposed changes to the Plan have been reviewed and the Committee is bringing the following two recommendations forward for your consideration:

1. Offer target retirement date funds at 5 year intervals
2. Offer employees using the self-directed brokerage option an opportunity to invest in stocks, bonds and ETF's (exchange traded funds) and closed end funds

In addition, since the transfer, the Committee has met quarterly to review the investments to verify continuing compliance with the criteria included in the investment policy. As a result of the Committee's review, the Committee is bringing the following additional recommendations forward for your consideration:

1. Delete the Perkins Mid-Cap Value Fund and replace it with Hotchkiss and Wiley Mid-Cap Value Fund
2. Delete the Pioneer Fundamental Value Fund and replace it with JPMorgan Equity Income Fund.

In addition, the membership of the Committee is or will shortly be experiencing the loss some of its members. The Committee recommends the replacement or re-designation of the following members:

Voting Members: Leroy Nellis, PBO who will be retiring April 30, 2013
 Vick Skinner, District Attorney who has retired February 28, 2013

Non-Voting Members: Dan Mansour, HRMD who has retired March 31, 2013
 Lolly Jones, Purchasing who has retired July 31, 2012

Attached is an explanation of each and wording for motions to implement each of the recommendations, if desired.

Coming Soon: The Committee has considered making longer term loans available to participants for the purchase of a primary residence and the inclusion of a Roth IRA option within the Deferred Compensation Plan. Recommendations on these opportunities will be brought back to the Court if the Texas legislature amends the county authority in these areas. In addition the Committee will be making recommendations about the replacement of the 2 additional retired members.

Target Retirement Date Funds

Currently the Plan offers the 5 target retirement date funds that were available from T. Rowe Price in 2008 in the Plan. These are separated by 10 year intervals from 2010 to 2050. Since then T. Rowe Price has begun offering these funds at 5 year intervals. Adding the additional funds to the investments allowed in the Plan would allow many employees to select a fund that is closer to their actual target date for retirement. The Committee recommends adding the following:

T. Rowe Price Retirement 2015
T. Rowe Price Retirement 2025
T. Rowe Price Retirement 2035
T. Rowe Price Retirement 2045
T. Rowe Price Retirement 2055

The funds available in the Plan are listed in two documents which must be amended to implement this change:

- Attachment B to the Great-West Retirement Services Agreement for Recordkeeping and Communication Services section 457 (b) Deferred Compensation Plan Group # 98734-01

PROPOSED MOTION: Same motion for this item and next item

Replacement of Two Investment Options

Currently the Plan offers 22 investment options in 17 categories. Other than the 5 target date funds there is one option in each category.

Since the transfer the Committee has met quarterly to review the investments to verify continuing compliance with the criteria included in the investment policy. For actively managed investment options (except for target date/target risk investment options), these criteria include:

1. at least 5 years of investment experience as of the date of review
2. a total expense ratio, (i.e. the total of fund management fees, 12(b)1 fees and other expenses) that is equal to or less than the average of all investment options in its asset class as defined by Morningstar;
3. a performance rank in the top one third of the asset class to which it is allocated by Morningstar for either the last three (3) or five (5) year performance period as of the date of review.

As a result of the investment Committee's review, the Committee is bringing the following additional recommendations forward for your consideration:

1. Delete the Perkins Mid-Cap Value Fund and replace it with Hotchkiss and Wiley Mid-Cap Value Fund
2. Delete the Pioneer Fundamental Value Fund and replace it with JPMorgan Equity Income Fund.

Participants currently invested in the Perkins Mid-Cap Value Fund will be automatically mapped over to the Hotchkiss and Wiley Mid-Cap Value Fund effective June 30, 2013. At March 6, 2013, there were 158 participants invested in the Perkins Mid-Cap Value Fund with a combined value of \$750,322.03. A notice of the potential change will be sent to participants. This action is recommended because the Fund has consistently failed to meet the performance criteria in the Travis County Deferred Compensation Plan Investment Policy and the Committee feels that there are other investment alternatives that better meet the needs of the Plan's participants.

Participants currently invested in the Pioneer Fundamental Value Fund will be automatically mapped over to the JPMorgan Equity Income Fund. effective June 30, 2013. At March 6, 2013, there were 202 participants invested in the Pioneer Fundamental Value Fund with a combined value of \$1,653,097.46. A notice of the potential change will be sent to participants. This action is recommended because the Fund has consistently failed to meet the performance criteria in the Travis County Deferred Compensation Plan Investment Policy and the Committee feels that there are other investment alternatives that better meet the needs of the Plan's participants..

PROPOSED MOTION:

Approve Amendment of Great-West Retirement Services Agreement for Recordkeeping and Communication Services section 457 (b) Deferred Compensation Plan Group # 98734-01 which replaces Attachment B and letter authorizing change of investments.

Stocks, Bonds, ETF's and Closed End Funds in Self-Directed Brokerage Accounts

Currently the Plan limits investments through self-directed brokerage accounts to mutual funds. This limit existed with the prior record keeper. Maintaining this limit was thought prudent so that the Plan after conversion would be as similar to the Plan before as possible. There was also a desire to limit the investments to mutual funds to reduce the investment risks consistent with the goal of long term savings for retirement. In addition, self-directed brokerage accounts had been added to the Plan only a few years before the conversion.

Currently only three employees use this option and they would like broader choices because it is their money. They want to invest in stocks and bonds. This is available through the current agreement with TD Ameritrade. In TD Ameritrade's form agreement, coupled with the authority to invest in stocks and bonds is the authority to invest in ETF's and closed end funds. This change is allowable under the IRS regulations for a deferred compensation plan.

This action would give employees the widest investment authority that the TD Ameritrade allows in its agreements with Plan Sponsors for 457 (b) Deferred Compensation Plans at this time.

The following limits and requirements continue to apply after approval of this change:

- At least \$2,500 must remain in the core investments with Great-West
- There is a \$1,000 minimum transfer to the TD Ameritrade account for these purchases
- All purchases are subject to the TD Ameritrade rates for commissions and fees applicable to the purchase selected
- There is a \$60.00 annual administration fee to maintain a self-directed brokerage account.

Participants must be given notice of this change at least 60 days before it is implemented. In order to implement this recommendation, the current self-directed brokerage accounts would have to be restricted from trading from close of business on Friday, June 28 until after internal reviews of the balances have been made to ensure updated balances are being received and uploaded under the new "open brokerage" account numbers on Tuesday July 2.

While the accounts restricted from trading, the investments are transferred from "mutual funds only" accounts to "open brokerage" accounts. All investments are transferred by journal entry into a new self-directed "open brokerage" account established for each participant in self-directed brokerage accounts. There will be no transaction fees

associated with this journal entry and no additional \$60 annual account fee will be applied to the new account for the current year.

PROPOSED MOTIONS:

Approve termination of current Plan Sponsor Agreement to be effective simultaneously with commencement of the new Plan Sponsor Agreement.

Approve new Plan Sponsor Agreement and New Account Form with an Exhibit A that allows investment in stocks, bonds, ETF's and closed end funds effective July 2, 2013.

Approve Changes in Membership
of the Deferred Compensation Oversight Committee

Currently the Committee is composed of 11 voting members and 5 non-voting members. Of these, 2 of the voting and two of the non-voting members are either about to retire or have retired. These members include:

Voting Members:

Leroy Nellis, PBO who will be retiring April 30, 2013
Vick Skinner, District Attorney who has retired February 28, 2013

Non-Voting Members:

Dan Mansour, HRMD who has retired March 31, 2013
Lolly Jones, Purchasing who has retired July 31, 2012

The Committee recommends the replacement or re-designation of each of these members.

At the end of February, 2013, Vicki Skinner, a long time Committee member expressed an interest in remaining active on the Committee. The Committee considers her participation valuable and requests the Court approve Vicki Skinner in the new role of retiree representative as a voting member on the Committee. To this time, there has not been any retiree representation on the Committee. This is appropriate because, although retirees are no longer eligible to contribute to the Plan, they may continue to have funds invested through the Plan

Since Lolly Jones' retirement, the Purchasing Office has asked the person now responsible for the contracts for which Lolly Jones was previously responsible to attend the meetings. This is currently C. W. Bruner. The Committee recommends that the court appoint C.W. Bruner as a non-voting member to replace Ms. Jones.

The Committee will discuss replacements for the other two members who will be retired then and bring additional recommendations to the Court with the upcoming recommendations.

PROPOSED MOTION:

Re-designate Vicki skinner as a Voting Member of the Deferred Compensation Oversight Committee representing retirees and approve C. W. Bruner as a Non-Voting Member of the Deferred Compensation Oversight Committee based on his assignment to the Great-West Agreement within Purchasing.

Travis County
98734-01
457(b) Deferred Compensation Plan

Important Note: Service Agreement Amendments, Pricing Change Agreements, and other contractual documents must be duly executed by both parties prior to the effective date of the changes. Backdating contracts or funding agreements is in violation of our corporate governance and regulatory requirements. Changes cannot be implemented prior to the date all documents are fully executed, even if that requires the effective date to be postponed. There are no exceptions to the rule that the effective date must follow the date all documents are executed.

Great-West Retirement Services®

AMENDMENT NO. 1
TO
AGREEMENT FOR RECORDKEEPING AND COMMUNICATION SERVICES
§457(b) Deferred Compensation Plan
Group No. 98734-01

THIS AMENDMENT NO. 1 is entered into by and between Great-West Life & Annuity Insurance Company ("Great-West"), and/or any successor, assign or affiliate, and the Travis County, Texas ("Plan Sponsor") with respect to the services to be provided by Great-West Retirement Services®, a unit of Great-West, to the Travis County, Texas 457(b) Deferred Compensation Plan (hereinafter referred to as the "Plan").

Effective January 30, 2009, Great-West and Plan Sponsor entered into the Agreement for Recordkeeping and Communication Services ("Agreement"), under which Great-West provides certain recordkeeping and communication services for the Plan Sponsor with respect to the Plan; and

Great-West and the Plan Sponsor have agreed that it would be beneficial to amend the Agreement to modify "Initial Authorized Investment Option Exhibit".

NOW THEREFORE, in consideration of the covenants and conditions herein contained, and other good and valuable consideration as herein provided, the parties agree to amend the Agreement as follows:

1. First paragraph of Section I.D.1. "Authorized Investment Options" of the Agreement shall be deleted and replaced in its entirety with the following new provision:

"Plan Sponsor has selected on the Effective Date of this Amendment No.1 the Authorized Investment Options set forth in the **Exhibit B: Authorized Investment Options Exhibit** attached. The parties acknowledge and agree that any future changes to the Authorized Investment Options shall be done by written instruction from Plan Sponsor to Great-West and not by amendment to the Agreement. "

2. In all other respects the Agreement shall remain in full force and effect.
3. This Amendment No. 1 will take effect upon the date executed by both the Plan Sponsor and Great-West (the "Effective Date").

IN WITNESS WHEREOF, the parties by signing this Amendment No. 1, in duplicate, certify that they have read and understood it, that they agree to be bound by the terms of the Amendment No. 1 and that they have the authority to sign it. This Amendment No. 1 is not binding on either party until approved by both parties.

For: Travis County, Texas

Signature: _____

Date _____

Name: _____

Title: _____

For: Great-West Life & Annuity Insurance Company

Signature: _____

Date _____

Name: Brent Neese

Title: Vice President, Government Markets

Attachment B: Authorized Investment Options Exhibit

<i>Fund Name</i>	<i>Ticker Symbols</i>
Allianz NFJ Small Cap Value Fund - A	PCVAX
American Funds Capital World G/I R4	RWIEX
American Funds EuroPacific Gr R4	REREX
BlackRock Mid Cap Index - Collective F	n/a
BlackRock Russell 2000 Index Coll F	n/a
Fidelity Contrafund	FCNTX
Hartford Small Company R4	IHSSX
Hotchkis and Wiley Mid Cap Value I	HWMIX
JP Morgan Equity Income Fund	HLIEX
Lazard Emerging Markets Equity Instl	LZEMX
Metropolitan West High Yield Bond M	MWHYX
Munder Mid Cap Core Growth Y	MGOYX
Nuveen Real Estate Securities I	FARCX
Oppenheimer International Bond Fund A	OIBAX
PIMCO Total Return Fund - Admin	PTRAX
Pioneer High Yield Y	TYHYX
T. Rowe Price Retirement 2010 Fund	TRRAX
T. Rowe Price Retirement 2015 Fund	TRRGX
T. Rowe Price Retirement 2020 Fund	TRRBX
T. Rowe Price Retirement 2025 Fund	TRRHX
T. Rowe Price Retirement 2030 Fund	TRRCX
T. Rowe Price Retirement 2035 Fund	TRRJX
T. Rowe Price Retirement 2040 Fund	TRRDY
T. Rowe Price Retirement 2045 Fund	TRRKX
T. Rowe Price Retirement 2050 Fund	TRRMX
T. Rowe Price Retirement 2055 Fund	TRRNX
T. Rowe Price Retirement Income Fund	TRRIX
Vanguard 500 Index Signal	VIFSX
Vanguard Total Bond Market Index Inv	VBMFX
TD AMERITRADE SDB Money Market	n/a
TD AMERITRADE SDB Securities	n/a
Putnam Stable Value Fund	n/a



Great-West Retirement Services
8515 E. Orchard Road 10T2
Greenwood Village, CO 80111
(303)737-2557 Phone
(303)801-5627 Fax

March 29, 2013

Travis County, Texas
Attn: Judge Samuel T. Biscoe
700 Lavaca, Suite 400
Austin, TX 78701

**RE: Fund Elimination for Travis County, Texas
Contract Number 98734-01**

Dear Judge Biscoe,

The following is a confirmation of the investment option transaction you have authorized us to perform, and events related to successful completion of this transaction. For Fund Additions prospectus can be found by going to www.gwrs.com, click on the plan sponsor button, select Public/Non-Profit, click on Fund Information, and click on Available Fund Prospectuses.

1. Fund Additions

The following investment options will be added to the Plan effective June 26, 2013:

<u>Fund Name</u>	<u>Ticker Symbol or Identifier</u>
T. Rowe Price Retirement 2015 Fund	TRRGX
T. Rowe Price Retirement 2025 Fund	TRRHX
T. Rowe Price Retirement 2035 Fund	TRRJX
T. Rowe Price Retirement 2045 Fund	TRRKX
T. Rowe Price Retirement 2055 Fund	TRRNX
Hotchkis and Wiley Mid-Cap Value I	HWMIX
JPMorgan Equity Income Fund	HLIEX

2. Fund Deletions

The following investment options will be deleted from the Plan under the terms outlined below:

<u>Fund Name</u>	<u>Ticker Symbol or Identifier</u>
Perkins Mid Cap Value Fund T	JMCVX
Pioneer Fundamental Value Y	CVFYX

3. Confirmation of Fund Mapping

Funds will be mapped as follows:

<u>Current Fund to be Eliminated (Name & Identifier)</u>	<u>Replacement Fund (Name & Identifier)</u>
Perkins Mid Cap Value Fund T (JMCVX)	Hotchkis and Wiley Mid-Cap Value I (HWMIX)
Pioneer Fundamental Value Y (CVFYX)	JPMorgan Equity Income Fund (HLIEX)

Participants will have until market close on June 26, 2013 to transfer funds in a closing fund to another fund. Balances remaining in the closing fund(s) noted above will be transferred to the replacement fund(s) noted above at the close of business on June 26, 2013.

4. Quiet Period

There will be a brief quiet period from June 26, 2013 (after market close) through the morning of June 27, 2013. The funds above will experience the quiet period and the remaining funds will remain open. No transactions will be permitted in the plan during the quiet period. This includes contribution/payroll files submitted on these days. Any payrolls received during the quiet period will be pending until after the transition takes place. At which time the payroll will be allocated on the next business day.

5. Communication to Participants

The above changes are being communicated to participants in the following manner:

Mailing to all participants by Great-West Financial Services

6. Ability to Perform

Great-West will take all reasonable steps necessary to execute the above transactions on the dates and terms specified. However, the Plan acknowledges that Great-West's ability to perform may be affected by the policies or restrictions imposed by the underlying investment providers and/or market conditions beyond our control. In the event Great-West is not able to execute any of the transactions on the dates specified above due to circumstances beyond its control, the Plan acknowledges that Great-West will complete the authorized transactions or remaining transactions on the earliest business day it is reasonably able to do so.

In the event Great-West fails to execute any or all of the transactions due to its own actions, participant accounts will be adjusted as if the transaction had occurred in accordance with these instructions.

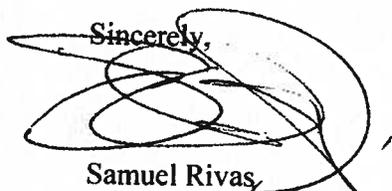
7. Fund Company Limitations

Great-West and the Plan are not aware of any limitations imposed by the fund companies with respect to the dollar value or other provisions of the intended transaction. To the extent any limitations or restrictions are imposed, the provisions of the above paragraph (6) will apply.

8. Final Instructions

This letter supersedes any previous authorization or instruction. **In order for the above transactions to be executed on the dates specified above, it is imperative that the authorization below be properly executed and returned to Great-West no later than April 15, 2013.**

If you have any questions regarding the above specifications or attachments, please call. We thank you for this opportunity to be of service.

Sincerely,


Samuel Rivas
Government Market Account Manager

Authorization

On behalf of the Employees' Retirement Fund I hereby approve the above transactions and events as specified herein:

Name

Title

Signature

Date