Deferred Compensation Board Meeting
February 26, 2016- 2-4pm
City Manager’s Conference Room 234

Board members:
John Moss, Council Liaison
Dan Edwards, School Board Liaison
Patti Phillips (Chair), Director of Finance
Farrell Hanzake, Chief Financial Officers/Schools - absent
Regina Hilliard, Director of Human Resources
Melissa Bowers, Employee Relations Manager
Terry Jenkins, City of Virginia Beach Retiree
Linda Matkins, Director of Benefits
David Hartzog, Payroll Administrator
Ken Stolle, Sheriff/High Constable – absent

Empower Representatives:
Al Calvo
Anne Strine

Segal Rogerscasey:
Frank Picarelli

Other City/Schools Staff:
Dana Harmeyer, Senior Finance Attorney
Nancy Leavitt, Debt & Financial Services Administrator

Recorder:
Loretta Brown, Finance Department

I. Call to Order:
Patti Phillips, Board Chair welcomed everyone and called the meeting to order at 2pm.

II. Review of Minutes:
The Board reviewed the minutes of December 14, 2015. *Linda Matkins made a motion to approve the minutes of December 14, 2015. Terry Jenkins seconded the motion, which was approved by unanimous vote.*

III. Alternative Mid Cap Growth Options, Frank Picarelli
Frank reported on the results of SegalRogerscasey’s research for a candidate to replace the Morgan Stanley Mid Cap growth fund. Three (3) candidates were evaluated: 1) Hartford Mid Cap, 2) Janus Enterprise and 3) MassMutual Select Mid Cap Growth Equity. Frank explained Segal Rogerscasey’s comprehensive research methods and provided a detailed review of each of the funds’ Style/Characteristics, Manager Tenure; Fees; and Performance and risk. Following a detailed discussion about each candidate, Frank recommended that the Plan replace Morgan Stanley Mid Cap Growth with MassMutual Select Mid Cap Growth Equity Fund II.
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Frank pointed out that the fund is sub advised by both T Rowe Price and Frontier Capital. The expense ratio will be 85bps with 15bps in revenue sharing, thus a revenue neutral impact to the Plan’s cost requirements. The following fund attributes were consideration for this fund selection:

- Diversification 193 holdings, Higher P/E ratio
- Consistent style mid cap capitalization
- No significant sector bias
- Received Segal Score A, Strong performance across all periods
- Less risk for returns
- Good downside capture

Upon review of the detailed evaluation the Committee took the following action:

**MOTION:**
_Terry Jenkins made a motion to replace Morgan Stanley Mid Cap Growth Fund with MassMutual Select Mid Cap Growth Equity Fund II. Councilman Moss seconded the motion, which was approved by unanimous vote._

There was a short discussion about scheduling the mapping of: 1) the Morgan Stanley Mid Cap Growth Fund to MassMutual Select Mid Cap Growth Equity Fund II, and 2) the profile funds to target date funds and determining the timeframe that these changes are expected to take place. The board took the following action:

**MOTION:**
_Councilman Moss made a motion to map the profile funds into the target date funds and to map the Morgan Stanley Mid Cap Growth Fund into the MassMutual Select Mid Cap Growth Equity Fund II (MGRFX). Dan Edwards seconded the motion, which was approved by unanimous vote._

IV. Litigation, Frank Picarelli

Frank updated the board on recent litigation in the defined contribution industry with regard to issues relating to fees and ensuring that plan participants are receiving the best possible investment management fees. Though most of the issues are with corporate 401(k) plans, Frank reminded the Board that it has been following best industry practices in monitoring plan and participant level fees.

Mass Mutual, an insurance company that provides general account stable value products. General account products do not disclose fees. This issue applies to all insurance companies that have a general account product. The City/Schools Deferred Compensation Plan has a separate account product with full fee transparency.
V. **Financial Market Conditions and Performance and Watch List Review, Frank Picarelli**

**Financial Market Conditions:**
- The 4th quarter 2015 financial market conditions. He provided information on:
  - The complete performance review was included in the agenda package.

**Plan Activity:**
- Frank reported on the assets of the City, Schools and Sheriff's Plans for the period of October 1, 2015 through December 31, 2015. Ending balances are listed below:
  1. City - $229.4
  2. Schools - $19.3M
  3. Sheriff’s Plan - $3.4M

**Stable Value Fund:**
Below are highlights of the SVF as of 12/31/15:
- Book Value Liabilities (participant account balances) $109.23
- Market Value of Assets $109.59
- 4th Quarter Credited rate 1.80%
- Average Rating (SP/Moody's/Fitch) AA+/AAA/AAA
- A new portfolio manager was added to the SVF to assist the portfolio team.

It was reported that as of December 31, 2015 the number of participants in the Virginia Beach Fixed Fund (VBFF) was 3,939, with 1,373 of these participants being solely invested in the VBFF. The board inquired about the age group, salary level, employment status and the retirement eligibility age of those invested solely in the fixed fund. Al responded that he would need to generate a special report to determine the number of participants who meet these requirements. The board directed Al to generate the report and to communicate to these participants the potential benefits of a diversified investment strategy.

**Watch List Review:**
Frank recommended that the following funds remain on the Watch List:

1. MFS Mass Inv. Growth, (due to long term underperformance)
2. **Morgan Stanley Mid Cap Growth (this Fund was removed today)**
3. Baron Small Cap Fund, (due to long term underperformance)
4. Eagle Small Cap Growth (due to long term underperformance)
5. William Blair International Growth Fund (manager change being evaluated)
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To be added to the Watch List:
1. American Funds Growth Fund of America (due to long term underperformance)
2. Janus Forty (due style and risk attributions)
3. AllianceBernstein Discovery Value Advisor (due to long term underperformance)

Motion:
Councilman Moss made a motion to adopt the Watch List Report, with the exception of Morgan Stanley, which has been removed. Terry Jenkins seconded the motion, which was approved by unanimous vote.

VI. Activity Review, Anne Strine & Al Calvo
Anne provided the executive summary report for the period ended December 31, 2015 for all 3 Plans. The report included information on: Asset Summary, Participant Summary, Contribution Summary, Hardship Withdrawals, Distributions, Unallocated Plan Asset accounts and the 2016 marketing and education best practices.

Anne’s review focused on marketing and education:

- Anne reminded the Board that AAG offers Managed Account Services to participants. There are 3 levels of service:
  1) Guidance (no fee)
  2) Advice – participant will manage their own account while taking advantage of investment advice ($25/annual fee)
  3) Managed Account – participant’s account will be professionally managed (annual fee of 40 basis points)

Anne announced that AAG is currently offering its Managed Account services for a 90-day free trial period to participants. During the 90-day trial period participants could get their accounts rearranged based on professional investment advice then opt out on the 89th day without being charged for the advice they received.

Below is a breakdown of the quarterly fees that would be charged to the Plan for this service:
- $25,000 – for existing plan participants
- $50,000 – for plan participants currently using managed account services

Discussion followed and it was the consensus of the Board that Empower continue to educate participants on investing strategies and to share with them the various levels of managed account services that are available to them. The Board chair recommended tabling this discussion and revisiting it in 6-9 months.

- Anne provided a brief review of the 2016 training plan. She reported that a new education plan would be rolled out soon.
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VII. VML/VACo OPEB Trust, Patti Phillips
The City/Schools VACo/VML OPEB Trust report was submitted for the Board’s information. The report outlined the activities of the Pooled Trust since June 2008. As of October 2015, the City/Schools Plan’s ending balance was $57,198,651 million.

VIII. New Audit, Nancy Leavitt
Nancy announced that Cherry Bekaert will begin its fieldwork on the new audit in May. The 2015 audit should be issued late August.

IX. NAGDCA Conference, Patti Phillips
Patti announced that the 2016 NAGDCA conference will be held in Denver, Colorado, September 18-20.

X. Future Agenda Item:
Compliance Audit & Brokerage Accounts

XI. Time and Date of the Next Meeting:
The next meeting is scheduled for Wednesday, May 18, 2016 from 2-4pm in the City Manager’s Conference room 234.

XII. Adjournment:
There being no further business the meeting was adjourned at 4pm.

Submitted by David Hartzog, Payroll Administrator

Approved by Chairperson, Patricia A. Phillips

Date

5/2/16

Date

April 28, 2016
Deferred Compensation Board Meeting
December 14, 2015- 2-4pm
City Manager’s Conference Room 234

Board members:
John Moss, Council Liaison - absent
Dan Edwards, School Board Liaison
Patti Phillips (Chair), Director of Finance
Farrell Hanzaker, Chief Financial Officers/Schools
Regina Hilliard, Director of Human Resources
Melissa Bowers, Employee Relations Manager
Terry Jenkins, City of Virginia Beach Retiree - absent
Linda Matkins, Director of Benefits
David Hartzog, Payroll Administrator
Ken Stolle, Sheriff/High Constable – absent

Empower Representatives:
Al Calvo
Anne Strine

Segal Rogerscasey:
Frank Picarelli – joined by teleconference

Other City/Schools Staff:
Dana Harmeyer, Senior Finance Attorney
Nancy Leavitt, Debt & Financial Services Administrator
Karen Robinson, Accountant

Recorder:
Loretta Brown, Finance Department

I. Call to Order:
Patti Phillips, Board Chair welcomed everyone and called the meeting to order at 2pm.

II. Review of Minutes:
The Board reviewed the minutes of August 2015. Dan Edwards made a motion to approve the minutes of August 10, 2015. David Hartzog seconded the motion, which was approved by unanimous vote.

III. Annual Audit, Peter Alfele, Cherry Bekart
Mr. Alfele of Cherry Bekart distributed and reported on the audited financial statements for both the City/Schools Deferred Compensation Plan and the Sheriff’s 401 (a) Plan. He also distributed and reported on the Agreed Upon-Procedures. Highlights of Mr. Alfele’s briefing can be found on the next page: (Click here to view the audited financial statements and Agreed Upon Procedures)
### Audited Financial Statements

<table>
<thead>
<tr>
<th>City Schools Plan (Year Ended Dec. 31, 2014)</th>
<th>Sheriff’s 401(a) Plan (audit is as of June 30, 2014 &amp; for the short period from Sept. 1 through the end of June 30th)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1) Unqualified opinion was issued</td>
<td>1) Unqualified opinion was issued</td>
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<td>2) The MD &amp; A section of the report</td>
<td>2) The MD &amp; A section of the report highlighted the financial activities that occurred during the year</td>
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<td>highlighted the financial activities that</td>
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<td>occurred during the year</td>
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<td>3) The Plan’s Net assets increased by</td>
<td>3) The Plan’s Net Assets increased by $31,682</td>
</tr>
<tr>
<td>$15.1M</td>
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</tr>
<tr>
<td>4) Member contributions of $17.5M</td>
<td>4) Employer contributions of $10,173*</td>
</tr>
<tr>
<td>5) Net Investment Income of $11.6M</td>
<td>5) Net Investment income of $397,986</td>
</tr>
<tr>
<td>6) Deductions for the year $14.0M</td>
<td>6) Deductions for the period $376,477</td>
</tr>
<tr>
<td>7) The Plan’s balance at end of year was</td>
<td>7) The Plan’s balance at end of year was $3.8M</td>
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<tr>
<td>$250.6M</td>
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<tr>
<td>8) A Supplemental schedule of administrative expenses was added to show how administrative expenses are reflected in the financial statements</td>
<td></td>
</tr>
</tbody>
</table>

*Employer contributions are made to the Sheriff’s 401(a) Plan. Participants do not contribute to this Plan.

Following Mr. Alfiele’s review of the City/Schools audit report, Al pointed out that the second paragraph in Note 5 implied that the participant assumed the 0.20% explicit fee. Patti asked Peter to rewrite this section. [the final audit report included a correction to Note 5 as suggested by the Board]

Mr. Alfiele also distributed and reported on the Agreed-Upon Procedures (AUP) that CB had been engaged to perform. The AUP schedule included the following information: 1) Agreed-Upon Procedure, 2) Procedure Details, and 3) Findings.

**Motion:**

*Regina Hilliard made a motion to accept the Audit report as presented. Dan Edwards seconded the motion, which was approved by unanimous vote.*

### IV. Financial Market Conditions and Performance and Watch List Review, Frank Picarelli

**Financial Market Conditions:**

- The 3rd quarter 2015 financial market conditions. He provided information on: Summary by Asset Class, World Economy: Key Indicators; Investor Sentiment: Mutual Fund Flows; Investment Performance: U.S. Equities, Non-U.S. Equities, Emerging Market Equities, U.S. Fixed Income, Non-U.S. Fixed income, Commodities and Currencies, Hedge Funds, Private Equity, Real Estate and Noteworthy Developments. The complete performance review was included in the agenda package.
Plan Activity:
- Frank reported on the assets of the City, Schools and Sheriff’s Plans for the period of July 1, 2015 through September 30, 2015. Ending balances are listed below:
  1. City - $223.8
  2. Schools - $18.8M
  3. Sheriff’s Plan - $3.3M

Stable Value Fund:
Below are highlights of the SVF as of 9/30/15:
- Book Value Liabilities (participant account balances) $109.93
- Market Value of Assets $111.35
- 3rd Quarter Credited rate 1.80%
- Average Rating (SP/Moody’s/Fitch) AA+/AAA/AAA

Watch List Review:
Frank recommended that the following funds be added to the Watch List:

1. Eagle Small Cap Growth on WL due to underperformance
2. Templeton World Fund on WL due to underperformance
3. William Blair International Growth Fund on WL due to a manager change

Motion:
Farrell Hanzaker made a motion to add Eagle Small Growth, Templeton World Fund, and William Blair International Growth Fund to the watch list as recommended by the Investment Advisor. Regina Hilliard seconded the motion, which was approved by unanimous vote.

Frank pointed out that Morgan Stanley Mid Cap Growth Fund has been on the watch list since the 3rd quarter of 2014 because of performance issues and recommended that the Board look at alternative mid cap growth options for a potential fund replacement in this category. At the 12/31 review meeting (Feb. 26th Board Meeting) Segal will present alternative funds for the Board’s consideration.

Frank announced that the new format/layout of the Segal Scoring Report will be introduced with the 12/31 review. He noted that the format of the report has been enhanced to illustrate additional data, including sector allocations.

V. Activity Review, Anne Strine & Al Calvo
Anne provided and reviewed the executive summary report, which covered: Asset Summary, Participant Summary, Contribution Summary, Hardship Withdrawals, Distributions, Unallocated Plan Asset accounts and the 2015 YTD Communication and Education Results. Highlights of her review are listed below:
The Service contract became effective July 2, 2015
The UPA account now shows all of the mutual fund revenue by mutual fund
Over/Under amounts of the $80 per participant fee is the only manual piece that remains
Advised Assets Group, LLC (AAG), made some important enhancements effective November 15, 2015 for participants who use the Managed Account service. Details will be shared at the next Board meeting
Target Date Funds scheduled to go live December 16, 2015
Deletion and Mapping of Profile Funds – Since Frank will be presenting alternative funds for the Board’s consideration at the next meeting, Anne requested that the deletion and mapping of the Profile funds be delayed until we know if there will be other fund changes in 2016. She noted that the announcement to participants regarding the deletion and mapping of profile funds has not been sent. The Board agreed with delaying the deletion and mapping of the Profile funds.
Anne met with the Schools to determine its correct Participation Rate. The current rate is 2%. Anne and Al will be working to increase this number in 2016.
Each Plan’s Unallocated Plan Asset Account (UPA) has been divided into 2 accounts: UPA1 and UPA3. Funds in the UPA1 account will be used for plan expenses and participant reallocations (UPA1 will stay a year in arrears for unexpected expenses). Funds in the UPA3 account will pay for Segal Rogerscasey’s consulting fees. Empower puts $50K/year aside to pay investment expenses.
There were twenty Hardship withdrawals through 9/30/15. More details on hardship withdrawals will be available in the next report.
Al reviewed the year-to-date communication and education results and provided a breakdown of the seminars he conducted.
Al announced that in this calendar year Empower would be notifying participants who will be 70-1/2 years of age of the minimum distribution requirements.

VI. Deferred Compensation Work Plan Item:
Patti reminded Board members that at the last Deferred Compensation Board retreat that they had agreed to add brokerage accounts to their work plan. She asked board members if they wanted to continue to leave this item on the work plan. There was a brief discussion about the positive and negative aspects of brokerage accounts and whether it should remain on the work plan. The Board recommended that it be tabled for now and revisited in a year. It will appear on the November 2016 meeting agenda.
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December 14, 2015

VII. VML/VACo OPEB Trust, Patti Phillips
The City/Schools VACoVML OPEB Trust report was submitted for the Board’s information. The report outlined the activities of the Pooled Trust since June 2008. As of October 2015, the City/Schools Plan’s ending balance was $58,074,032 million.

VIII. NAGDCA Conference, Karen Robinson
Karen Robinson gave a short overview of what she learned at the NAGDCA conference:
• There were two basic themes: 1) the challenge of the lack of retirement income security that most U.S. workers are facing, and 2) What are the possible strategies to address these challenges
• Presenters agreed that a comprehensive approach involving all stakeholders was needed

Karen said that she appreciated the opportunity to attend the conference and added that it was well worth attending.

IX. Future Agenda Item:
Compliance Audit & Brokerage Accounts

X. Time and Date of the Next Meeting:
The next meeting is scheduled for Friday, February 26, 2016 from 2-4pm in the City Manager’s Conference room 234.

XI. Adjournment:
There being no further business the meeting was adjourned at 4pm.

Motion:
Regina Hilliard made a motion to adjourn the meeting, Terry Jenkins seconded the motion, which was approved by unanimous vote.

[Signature]
Date: 3/7/16
Submitted by David Hartzog, Payroll Administrator

[Signature]
Date: Mar 7, 2016
Approved by Chairperson, Patricia A. Phillips
Deferred Compensation Board Meeting
August 10, 2015 - 2-4pm
City Manager’s Conference Room 234

Board members:
John Moss, Council Liaison - absent
Dan Edwards, School Board Liaison
Patti Phillips (Chair), Director of Finance
Farrell Hanzaker, Chief Financial Officers/Schools
Regina Hilliard, Director of Human Resources
Melissa Bowers, Employee Relations Manager
Terry Jenkins, City of Virginia Beach Retiree
Linda Matkins, Director of Benefits
David Hartzog, Payroll Administrator
Ken Stolle, Sheriff/High Constable – absent

Guest:
Carolyn Rye, School Board Member

Empower Representatives:
Al Calvo
Anne Strine
Amy Heyel

Segal Rogerscasey:
Frank Picarelli

Other City/Schools Staff:
Dana Harmeyer, Senior Finance Attorney
Nancy Leavitt, Debt & Financial Services Administrator

Recorder:
Loretta Brown, Finance Department

I. Call to Order:
Patti Phillips, Board Chair welcomed everyone and called the meeting to order at 2pm. Ms. Phillips recognized Mr. Edwards, School Board Liaison, who introduced Ms. Carolyn Rye. Ms. Rye is a member of the Virginia Beach School Board.

II. Review of Minutes:
The Board reviewed the minutes of May 2015. Regina Hilliard made a motion to approve the minutes of May 11, 2015. Farrell Hanzaker seconded the motion, which was approved by unanimous vote.

III. New Legal Counsel, Rod Ingram
Rod Ingram announced that he would be stepping down as the Deferred Compensation Board’s legal counsel. He then introduced his replacement, Dana Harmeyer, Senior Finance Attorney.
IV. **Investment Consultant RFP, Nancy Leavitt**
Nancy announced that the evaluation committee had received and ranked nine (9) proposals for an Investment Consultant to provide investment advisory services to the Deferred Compensation Board. The contract was awarded to Segal Rogerscasey for a two-year term, which may be renewed for three (3) additional one-year periods. The contract fee is $47,500.00/year. Copies of the contract and the scope of work were included in the Board’s agenda packet. Frank thanked the board and said that he was looking forward to continue working with the Deferred Compensation Board.

V. **Audit Update, Nancy Leavitt**
Nancy reported that Cherry-Bekaert is in the process of auditing the Deferred Compensation Plan. The audit is expected to be completed within the next several weeks. A draft of the financial statements will be submitted at the next meeting for the board’s review.

VI. **Investment Policy Statement, Patti Phillips**
Patti indicated that at its May 2015 meeting the board had reviewed the new Investment Policy (IP) statement, but had not formally adopted it. She noted that the IP had been presented to City Council and added that formal action needed to be taken on this item.

**Action:**
*Terry Jenkins made a motion to adopt the new Investment Policy statement. Linda Matkins seconded the motion, which was approved by unanimous vote.*

VII. **Amended Empower Service Agreement, Anne Strine:**
Anne first introduced Amy Heyel, Vice President for the Southern region. Amy provided a quick update of changes at Empower’s corporate level. She announced that Empower will be making improvements to its web site, and provided a short overview of some of its new features, which will be available next year. In addition, Amy announced that earlier this year, Empower made the strategic decision to add a fourth region. The new region was created by breaking up the Eastern and some of the Central regions. She added that they now have a Northeastern region, Southern region, Central and Western region. Amy is VP for the Southern region, which include Maryland and VA.

Anne recapped the changes of the Empower Service Agreement amendment:
- A change to the fee calculation from the average plan assets to the average daily balance.
- Mutual fund will flow directly to the Unallocated Plan Asset Account
- Reconciliation using a debit/credit gross process
- Reconciliation that is generated monthly and is more timely and accurate, since it is based on the actual mutual fund payment.
- Automation of the quarterly reconciliation; timely board meetings
- The direct interface and reconciliation between the mutual fund companies and the general account.
Dana added that the amendment was in conformity with the motion that was adopted at the last meeting.

VIII. Activity Review, Anne Strine & Al Calvo
Anne provided and reviewed the executive summary report, which covered: Asset Summary, Participant Summary, Contribution Summary, Hardship Withdrawals, Distributions, Unallocated Plan Asset accounts and the 2015 YTD Communication and Education Results. Key points of the activity review are listed below:

- Each Plan’s Unallocated Plan Asset Account (UPA) has been divided into 2 accounts: UPA1 and UPA3. Funds in the UPA1 account will be used for plan expenses and participant reallocations (UPA1 will stay a year in arrears for unexpected expenses). Funds in the UPA3 account will pay for Segal Rogerscasey’s Consulting fees.
- A total of $224,627.60 from the UPA account was reallocated to participants’ funds on June 29th. An explanation of the increase appeared in participants’ statements. Reallocation amounts per participant ranged from 3 cents to $800. The reallocation was distributed pro rata, based on the Plan assets.
- Participant summary information has been updated to better represent the number of eligible participants. There was a discussion about reporting on the number of part-time employees. Linda Matkins pointed out that the Schools’ numbers appeared low. Anne responded that she would get with Susan Scofield to get the correct eligible population.
- The September 30th participant statements’ will include information about the Roth contribution option and the upcoming target date initiative. Al noted that approximately 25 employees have started a Roth.
- Hardship withdrawals will begin to be reported in the Executive Summary Report.
- Al’s participant education focuses on distribution planning and knowing all of your options.
- Al reviewed a draft PowerPoint presentation on how Target Date Funds work and how they are best utilized and what role they play in an overall retirement investment strategy. Target Date Funds will be introduced to employees in November.

IX. Stable Value Fund, Al Calvo
Below are highlights of the Stable Value Fund’s Quarterly Statement as of June 30, 2015:
- Market Value of Assets $110.17 MM
- Book Value Liabilities (participant account balances) $109.24MM
- Market to book value is 100.8%
- Credited Rate 2nd Quarter: 1.85%
- Credited Rate 3rd Quarter: 1.80%
- Average Rating (S&P/Moody’s/Fitch) AA+/AAA/AAA
X. **Performance Review, Frank Picarelli**

Frank reported on the financial market conditions for the 2nd quarter of 2015. He provided information on: Summary by Asset Class, World Economy: Key Indicators; Investor Sentiment: Mutual Fund Flows; Investment Performance: U.S. Equities, Non-U.S. Equities, Emerging Market Equities, U.S. Fixed Income, Non-U.S. Fixed income, Commodities and Currencies, Hedge Funds, Private Equity, Real Estate and Noteworthy Developments. The complete performance review was included in the agenda package.

Frank also reported on the assets of the City, Schools and Sheriff’s Plans for the period of April 1, 2015 through June 30, 2015. The ending balances were as follows:

- City, $235.0M
- Schools, $19.6M
- Sheriff’s Supplemental Retirement Plan $3.7M.

XI. **Watch List Recommendations:**

At the May 11, 2015 board meeting Frank recommended removing Janus Forty from the watch list, due to its improved 3-year performance.

Today, Frank recommended adding MFS Mass Inv. Growth to the watch list due to its 3 and 5-year underperformance.

**Action:**

*Farrell Hanzaker made a motion to approve the May 11 Watch List recommendation and to add MFS Mass Inv. Growth to the Watch List due to its 3 and 5-year underperformance. Dan Edwards seconded the motion, which was approved by unanimous vote.*

XII. **VML/VACo OPEB Trust, Patti Phillips**

- The City/Schools VACo/VML OPEB Trust report was submitted for the Board’s information. The report outlined the activities of the Pooled Trust since June 2008. As of June 2015, the City/Schools Plan’s ending balance was $58,582,469 million.
- Patti announced that the deadline to nominate a member of the local finance board to serve on the VACo/VML Pooled OPEB Trust is August 20th. Patti has served in the past and invited others to serve. Meetings are held in Richmond quarterly. The consensus of the board was that Patti continue to serve on the VACo/VML OPEB Trust.

**Action:**

*Dan Edwards made a motion to nominate Patti Phillips to serve on the VACo/VML Pooled OPEB Trust. Farrell Hanzaker seconded the motion, which was approved by unanimous vote.*
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August 10, 2015

XIII. NAGDCA Conference, Patti Phillips
Patti announced that the NAGDCA conference is scheduled for September 27-30 and will be held in Indianapolis, IN this year. She invited and encouraged board members to attend the conference, and added that conference expenses would be paid out of the UPA account. If their schedules permit, Terry Jenkins, Susan Scofield and Karen Robinson of Payroll may attend. Patti noted that Karen Robinson works in payroll and provides assistance to VRS Hybrid Retirement Plan employees. [Karen Robinson will be attending]

Action:
*Linda Matkins made a motion to allow 3 representatives to attend the 2015 NAGDCA conference. Dan Edwards seconded the motion, which was approved by unanimous vote.*

XIV. Future Agenda Item:
Compliance Audit

XV. Time and Date of the Next Meeting:
The next meeting is scheduled for **Monday, December 14, 2015 from 2-4pm in the City Manager’s Conference room 234.**

XVI. Adjournment:
There being no further business the meeting was adjourned at 4pm.

Action:
*Regina Hilliard made a motion to adjourn the meeting, Terry Jenkins seconded the motion, which was approved by unanimous vote.*

Submitted by David Hartzog, Payroll Administrator  
Date  

Approved by Chairperson, Patricia A. Phillips  
Date
Deferred Compensation Board Meeting  
May 11, 2015- 2-4pm  
City Manager’s Conference Room 234

Board members:  
John Moss, Council Liaison - absent  
Dan Edwards, School Board Liaison  
Patti Phillips (Chair), Director of Finance  
Farrell Hanzaker, Chief Financial Officers/Schools - absent  
Regina Hilliard, Director of Human Resources  
Melissa Bowers, Employee Relations Manager  
Terry Jenkins, City of Virginia Beach Retiree  
Linda Matkins, Director of Benefits - absent  
David Hartzog, Payroll Administrator  
Ken Stolle, Sheriff /High Constable - absent

Great-West Representatives:  
Al Calvo  
Anne Strine

Segal Rogerscasey:  
Frank Picarelli

Other City/Schools Staff:  
Dana Harmeyer, Public Finance Attorney  
Nancy Leavitt, Debt & Financial Services Administrator

Recorder:  
Loretta Brown, Finance Department

I. Call to Order:  
Patti Phillips, Board Chair welcomed everyone and called the meeting to order at 2pm and reviewed the agenda.

II. Review of Minutes:  
The Board reviewed the minutes of January 2015. *Terry Jenkins made a motion to approve the minutes of January 8, 2015, Regina Hilliard seconded the motion, which was approved by unanimous vote. (Dan Edwards abstained because he was not present at the January meeting).*

The Board also reviewed the minutes of March 16, 2015. *Dan Edwards made a motion to approve the minutes of March 16 2015, Terry Jenkins seconded the motion, which was approved by unanimous vote.*

III. Financial Advisor RFP, Nancy Leavitt  
Nancy reported that the Investment Advisor RFP had been issued. Nine (9) proposals have been received and distributed to the RFP evaluation committee members for their review. The Committee will meet June 10th to evaluate and short-list firms for consideration.
IV. **Audit Update, Nancy Leavitt**
Nancy reported that the contract with Cherry-Bekeart to conduct the Plan audit should be signed this week. The audit is scheduled to start in August. Great-West will pay the audit fee of $25,495 as specified in the contract.

V. **Performance Review, Frank Picarelli**

Frank also reported on the assets of the City, Schools and Sheriff’s Plans for the period of January 1, 2015 through March 31, 2015. The ending balances were as follows:
- City, $235.0M
- Schools, $19.6M
- Sheriff’s Supplemental Retirement Plan $3.7M.

**Watch List Recommendations:**
Frank recommended that Janus Forty be removed from the Watch List, due to its improved 3-year performance.
[Board will vote on removal in August]

The complete performance report was included in the agenda package.

VI. **Review of Fund Changes, Frank Picarelli**
Frank provided and reviewed the Summary of Fund changes. He noted that at the last meeting Board members approved: 1) terminating the Mutual Shares Fund and replacing it with the Delaware Fund, 2) terminating the profile funds and adding the American Funds Target Date Retirement Series, and 3) adding the Roth 457 option for the City only. The Board also discussed eliminating the Heartland Value Fund and mapping it to the Alliance Bernstein Discovery Value Fund. Following Frank’s review the board asked questions about fees, participant education and implementing the fund changes. [Subsequent to the meeting, City Council approved the change to the Investment Policy to allow lifting the requirement to have an investment option in every style box]

**Action:**
Terry Jenkins made a motion to eliminate the Heartland Value Fund from the portfolio. Participants will have the opportunity to transfer funds to another fund until market close on July 20, 2015. Contributions will be mapped to the Alliance Bernstein Discovery Value Fund for participants who do not transfer funds to another fund.
Deferred Compensation Board Meeting
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May 11, 2015

Funds Implementation Schedule:

<table>
<thead>
<tr>
<th>Fund</th>
<th>Implementation Date</th>
<th>Education / Notification</th>
</tr>
</thead>
<tbody>
<tr>
<td>Roth 457 Option</td>
<td>July 1, 2015</td>
<td>Roth 457 &amp; Target Date Fund Education will be combined and will occur in the Fall (prior to that it will be Advertised in the Beam, Member Update and Beachnet).</td>
</tr>
<tr>
<td>Heartland Value terminated &amp; Mapped to Alliance Berstein Discovery Value Fund</td>
<td>July 20, 2015</td>
<td>Mail Participant Letter by June 12, 2015</td>
</tr>
<tr>
<td>Mutual Shares Fund terminated and replaced with Delaware Value Fund</td>
<td>July 20, 2015</td>
<td>Mail Participant Letter by June 12, 2015</td>
</tr>
<tr>
<td>Target Date Funds Presentation to Board</td>
<td>--</td>
<td>August 10, 2015</td>
</tr>
<tr>
<td>Profile Funds Terminated and American Funds Target Date Retirement Series Added</td>
<td>Add the TDF on 11/1/15 and then map the current profile funds around 2/1/16.</td>
<td>Participant Education to begin September 2015</td>
</tr>
</tbody>
</table>

[A letter will be sent to City Council regarding the fund changes, with a copy to the School Board]

VII. Modification of Empower Contract/Revenue Sharing & Unallocated Funds, Anne Strine:

Anne Strine submitted and reviewed Empower’s proposed contract amendment. She indicated that the amendment allows for:

- A change to the fee calculation from the average plan assets to the average daily balance
- Reconciliation using a debit/credit gross process
- Reconciliation that is generated monthly and is more timely and accurate, since it is based on the actual mutual fund payment. *(Dan Edwards asked to see a sample of the reconciliation, when available)*
- Automation of the quarterly reconciliation
- The direct interface and reconciliation between the mutual fund companies and the general account
- Timely Board meetings, because end of quarter results would be available sooner

Action:

Terry made a motion to authorize modification to the Empower Contract. The modification changes the fee calculation from the average plan assets to the average daily balance. The modification will allow reconciliation using a debit/credit gross process, and the reconciliation will be performed monthly. The Chair is authorized to execute the modification after the modification has been approved by the Office of the City Attorney. Dan Edwards seconded the motion, which was approved by unanimous vote.
Deferred Compensation Board Meeting
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Next, the Board discussed the distribution of funds from the General Account/Unallocated Plan Assets. The ending balance in the Deferred Compensation Plan’s General Account at 3/31/15 was $461,680. Anne provided a list of possible Fund uses:

- Reallocate per participant basis
- Reallocate based on account balances
- Provide Board education by attending NAGDCA conference
- Purchase Ipads for the Board

The Board unanimously agreed that the funds should be distributed to participants as stated in the action item below. Al will include a message in the June 30 participant letter explaining the reason for the one-time special revenue sharing allocation.

Action:
Terry made a motion to distribute the funds from the General Account to participants based on their account balances. The amount distributed is the General Account balance as of 1/1/2013. The amounts will be provided based upon the % of the Plan held by the individual account. The distribution will be provided on June 30th, 2015, as additional income/earnings. Dan Edwards seconded the motion, which was approved by unanimous vote.

VIII. Activity Review, Al Calvo
Al submitted and reviewed the summary activity report. During Al’s review there was a question about why the Sheriff’s hardship information was not available. Al said that the Sheriff’s 401(a) Plan does not allow for hardship withdrawals. Terry had concerns about the $58,485 in hardship withdrawals. She asked how this compared to previous numbers. Al said that there was an increase in the dollar amount, but a decrease in actual requests. Anne said that she could provide a report with the breakdown of hardships from 2014 to present. Patti asked David to provide a list of financial resources to participants who apply for hardship withdrawals.

IX. Stable Value Fund, Al Calvo
Al provided a brief review of the Stable Value Fund. Below are highlights of his review:

- SVF being managed within policy
- Market to book value is 101.7%
- Credited Rate 1st Quarter: 1.85%
- Credited Rate 2nd Quarter: 1.85%
X. VML/VACo OPEB Update, Patti Phillips
The City/Schools VACo/VMC OPEB Trust report was submitted for the Board’s information. The report outlined the activities of the Pooled Trust since June 2008. As of February 2015, the City/Schools Plan’s ending balance was $58,613,746 million.

XI. Future Agenda Item:
Compliance Audit

XII. Time and Date of the Next Meeting:
The next meeting is scheduled for Monday, August 10, 2015 from 2–4pm in the City Manager’s Conference room 234.

XIII. Adjournment:
Regina Hilliard made a motion to adjourn the meeting, Terry Jenkins seconded the motion, which was approved by unanimous vote. There being no further business the meeting was adjourned at 4pm.

Submitted by David Hartzog, Payroll Administrator

Date

Approved by Chairperson, Patricia A. Phillips

Date
Deferred Compensation Board Meeting  
March 16, 2015- 3:00 – 5:00pm  
City Manager’s Conference Room 234

Board members:  
John Moss, Council Liaison  
Dan Edwards, School Board Liaison  
Patti Phillips (Chair), Director of Finance  
Farrell Hanzaker, Chief Financial Officers/Schools  
Regina Hilliard, Director of Human Resources  
Melissa Bowers, Employee Relations Manager  
Terry Jenkins, City of Virginia Beach Retiree  
Linda Matkins, Director of Benefits  
David Hartzog, Payroll Administrator  
Ken Stolle, Sheriff/High Constable - absent

Great-West Representatives:  
Al Calvo  
Anne Strine  
Bill Thornton

Segal Rogerscasey Advisors, Inc. (SRC):  
Frank Picarelli

Other City/Schools Staff:  
Rod Ingram, Deputy City Attorney  
Nancy Leavitt, Debt & Financial Services Administrator

Recorder:  
Loretta Brown, Finance Department

I. Call to Order:  
Patti Phillips, Board Chair welcomed everyone and provided an overview of the agenda. She announced that the order of the agenda would be changed and then called the meeting to order at 3pm.

II. Review of Minutes:  
The review of the January minutes was tabled for the next meeting.

III. Performance Review, Frank Picarelli  
Deferred Compensation Board Meeting
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During Frank’s funds review, he noted that the PIMCO fund will be terminated in the first quarter of 2015 and that all assets in the PIMCO Fund will be mapped to the Vanguard Index Fund at a lower fee arrangement of 30bps to 17 bps for all participants. In addition, effective in the first quarter, the Vanguard Mid Cap Index Fund expense ratio will be reduced from 34bps to 16bps.

Frank also reported on the assets of the City, Schools and Sheriff’s Plans for the period of October 1, 2014 through December 31, 2014. The ending balances are as follows:

- City, $231.2M
- Schools, $19.0M
- Sheriff’s Supplemental Retirement Plan $3.8M.

IV. Watch List Recommendations, Frank Picarelli:
Frank provided a review of the watch list and recommended that MFS Mass Inv Growth Fund be removed from the watch list. There was improvement to the fund’s current and 5 year performance, and it is in compliance with the policy statement and with the 12/31 review. Below are additional watch list recommendations:

<table>
<thead>
<tr>
<th>Remain on Watch List:</th>
<th>Pimco</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Mutual Shares</td>
</tr>
<tr>
<td></td>
<td>Janus Forty</td>
</tr>
<tr>
<td></td>
<td>Morgan Stanley Mid Cap Growth</td>
</tr>
<tr>
<td></td>
<td>Heartland Value Fund</td>
</tr>
</tbody>
</table>

| Add to Watch List: | Baron Small Cap Fund |

| Remove from Watch List: | MFS Mass Inv Growth (removed due to improved current and 5 year performance) |

V. Fund Replacements, Frank Picarelli
Frank submitted and provided a review of the search results for both the U.S. Large Cap Value Fund and the U.S. Small Cap Value Fund. He noted that the purpose of the searches is to select candidates to replace the: 1) Large Cap Value Mutual Shares Fund, and 2) Small Cap Heartland Value Fund. The following list of candidates was submitted for the board’s consideration:

<table>
<thead>
<tr>
<th>Potential Fund Replacements</th>
</tr>
</thead>
<tbody>
<tr>
<td>Large Cap Value</td>
</tr>
<tr>
<td>1. Delaware Value Fund</td>
</tr>
<tr>
<td>2. Dodge &amp; Cox Stock Fund</td>
</tr>
<tr>
<td>3. Federated Strategic Value Dividend Fund</td>
</tr>
</tbody>
</table>
Deferred Compensation Board Meeting
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Frank provided an in-depth review of each candidate’s qualities (which was outlined in the fund search reports).

The Board took the following actions:

1) **Large Cap Value Fund Replacement:**

   **Motion:**
   
   *Farrell Hanzaker made a motion to terminate Mutual Shares Fund and replace it with Delaware Value Fund. An administrative fee will be calculated not to exceed 10 basis points. Regina Hilliard seconded the motion, which was approved by unanimous vote.*

   [Subsequent to meeting Anne Strine reported that an explicit fee was not required.]

   The fund was selected primarily due to a low expense ratio of 77bps, higher allocation percentage to US stocks, and good performance for 1, 3, and 5 year returns.

2) **Small Cap Value Fund Replacement:**

   The Board briefly discussed replacing the Heartland Value Fund and mapping it into AllianceBernstein, which is within the Small Cap Value Category. They also discussed removing the Small Cap Value Category, and whether or not the Plan would still pass AAG’s review if the category was removed. (**Anne has confirmed that the small cap category can be removed and still pass the AAG review for Advisory Services**).

   Rod pointed out that the Investment Policy (IP) would need to be amended, if the Board decided to eliminate a Category. The IP states that, “the Plan will offer at least one (1) investment option within each of the following investment categories.” Rod explained that Small Cap Value is one of the investment categories listed in the IP. Rod added that changes made to individual funds, within a category, do not need Council approval.

   The consensus of the Board was to defer this item for further discussion.

**VI. Target Date Funds, Frank Picarelli**

Frank reviewed the basics of Target Date Funds (TDFs). Frank said that, “Target Date Funds are designed to provide participants with a simplified investment option that is diversified among asset classes and shifts to a more conservative asset allocation over time. The appeal of investing in a TDF is that asset allocation, diversification and risk are
Deferred Compensation Board Meeting
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managed by the investment manager and participants make only one investment decisions, selecting the target date.” Frank also reviewed the glide path allocation, performance expense ratios and equity exposure related to the three proposed TDF options. Frank noted that TDFs would be an enhancement to the current Plan. (TDF Search Reports were included in the agenda package).

The following list of TDF candidates were submitted for the Board’s selection:
1) American Funds Target Date Retirement Series
2) Great-West Lifetime Portfolios
3) T. Rowe Price Retirement Series

Following Frank’s review, board members had a lengthy discussion about the differences between profile funds and target date funds. They also discussed the importance of participant education related to TDFs. The following action was taken:

**Motion:**
*Linda Matkins made a motion to: 1) Terminate the Profile Funds and to add the American Funds Target Date Retirement Series, 2) Authorize a wrapper up to 30 basis points, 3) Have the map and participant education take place 60 days between the introduction and the mapping. David Hartzog seconded the motion, which was approved by unanimous vote.*

American Funds Target Date Products was selected due to low average expense ratios ranging from 40bps to 52bps with 5 bps in revenue sharing. A 30bps administration fee would be added to the management fee to offset total plan costs. The following attributes were considered:
- Glided Path Method
- Structure Review
- People Organization
- Returns across all periods
- Asset allocation
- Risk and downside capture

**VII. Roth 457, Patti Phillips**
Anne Strine provided information on the Roth 457 Option. It described how Roth 457 contributions differed from traditional 457 contributions. Anne pointed out that the Roth Plan does not allow loans or hardship distributions. Patti announced that the General Assembly in 2014 authorized local governments to offer the Roth 457 option, effective July 2015.
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Linda asked if the Schools would be required to offer the Roth 457 option if the City offered it. She added that she would like to familiarize herself with the issues, before implementing the Roth 457 option. Rod said that he did not believe it was a requirement and would get back to her. Patti pointed out that the City and Schools’ payroll records were kept separately. (Rod subsequently confirmed that Schools is not required to offer the Roth 457 option, even if the feature is added to the City plan.) The following action was taken:

Motion:
*Linda Matkins made a motion to implement the Roth 457 for the City only, using the same rules as the VRS Roth 457 offering. Regina Hilliard seconded the motion, which was approved by unanimous vote.*

VIII. Ratify Contract Amendments, Rod Ingram
Patti announced that the Reality Investing Advisory Services Agreement and Stable Value Fund agreements needed to be ratified. Rod noted that the advisory services fees would be going down, effective April 1, 2015, and the Stable Value Fund agreements were updated to reflect the changes authorized by the Board in September 2014 by its vote to revise the Investment Policy. The following action was taken:

Motion:
*Farrell Hanzaker made a motion to ratify the Reality Investing Advisory Services agreement and the Stable Value Fund. Regina Hilliard seconded the motion, which was approved by unanimous vote.*

IX. Stable Value Fund, Bill Thornton
Below are highlights of Bill’s SVF annual review (the complete report was included in the agenda package):

- As of 12/31/14 the fund has assets of $111.82 million
- SVF is in compliance with the Investment Policy Statement
- Average duration not to exceed 4 years
- Market value is above book value - 101.61%
- Fund is being managed within policy
- Deloitte & Touche audit will be issued in May 2015

X. Activity Review, Anne Strine
Anne submitted a summary of the quarterly plan review for the period ended December 31, 2014 for all 3 Plans. The summary report is attached to these minutes.
XI. Investment Consultant Request For Proposal/Upcoming Audit, Patti Phillips & Nancy Leavitt
Patti announced that the General Assembly did not pass the procurement process exemption for investment advisors. As a result, a Request for Proposal will need to be issued for an Investment Advisor. Patti said that Segal Rogerscasey’s contract is scheduled to terminate in June.

Nancy included a draft of the RFP in the agenda package. The following members were appointed to serve on the RFP committee (same job titles as last time): Patti Phillips, Bill Davis, Linda Matkins, Nancy Leavitt, Regina Hilliard and Melissa Bowers.

Nancy announced that Cherry Bekaert is scheduled to begin the 2014 Plan audit in April. The fee will be the same, $25,495.

XII. VML/VACo OPEB Update, Patti Phillips
The City/Schools VACo/VML OPEB Trust report was submitted for the Board’s information. The report outlined the activities of the Pooled Trust since June 2008. As of January 2015, the City/Schools Plan’s ending balance was $57,044,837 million.

XIII. Time and Date of the Next Meeting:
The next meeting is scheduled for Monday, May 11, 2015 from 2 – 4pm, in room 234.

XIV. Adjournment:
There being no further business the meeting was adjourned at 5:15pm.

Submitted by David Hartzog, Payroll Administrator

Date

Approved by Chairperson, Patricia A. Phillips

Date
Deferred Compensation Board Meeting
January 8, 2015 - 11:00 - 11:30am
City Manager’s Conference Room 234

Board members:
John Moss, Council Liaison - absent
Bill Brunke, School Board Liaison - absent
Patti Phillips (Chair), Director of Finance
Farrell Hanzaker, Chief Financial Officers/Schools
Regina Hilliard, Director of Human Resources
Melissa Bowers, Employee Relations Manager
Terry Jenkins, City of Virginia Beach Retiree - absent
Linda Matkins, Director of Benefits
David Hartzog, Payroll Administrator
Ken Stolle, Sheriff/High Constable - absent

Great-West Representatives:
Al Calvo
Anne Strine

Segal Rogerscasey Advisors, Inc. (SRC):
Frank Picarelli (joined by conference call)

Other City/Schools Staff:
Rod Ingram, Deputy City Attorney
Nancy Leavitt, Debt & Financial Services Administrator

Recorder:
Loretta Brown, Finance Department

I. Call to Order:
Patti Phillips, Board Chair welcomed everyone and called the meeting to order at 11:10am.

II. Review of Minutes:
The Board reviewed the minutes of December 2014. Farrell Hanzaker made a motion to approve the minutes of December 15, 2014, Linda Matkins seconded the motion, which was approved by unanimous vote.

III. Options Related to Contract Pricing for the Vanguard Total Bond Market Index Fund, Frank Picarelli
Frank recapped the discussion from the December meeting regarding the consolidation of the PIMCO Fund to the Vanguard Total Bond Index Fund as a lower cost alternative for the Plan Participants. He noted that a motion was made to terminate the PIMCO Total Return Fund and to map it into the Vanguard Total Bond Market Index Fund, contingent upon Great-West’s discussion with Vanguard regarding the Vanguard Total Bond Market Index Fund.
Frank reported that the costs of the Vanguard Total Bond Index Fund is 7bps for the investment management fee of the fund, plus a 10bps charge for plan administration, for an all-in cost to the participants of 17bps. The following action was taken:

Motion:
Linda Matkins made a motion to approve the costs of the Vanguard Total Bond Index Fund of 7bps for the investment management fee of the fund, plus a 10bps charge for plan administration, for an all-in cost to the participants of 17bps. She added that participants will be notified of this change by February 15th and that the Pimco Total Return Fund will be mapped into the Vanguard Total Bond Market Index Fund by March 15th. Regina Hilliard seconded the motion, which was approved by unanimous vote.

IV. Watch List Recommendations, Frank Picarelli
Frank provided a review of the watch list and recommended that the following funds remain on the watch list, with the exception of Baron Small Cap. He recommended that it be removed because its long-term performance had improved.

- Pimco Total Return Fund
- Mutual Shares
- Janus Forty
- Heartland Value Fund
- Baron Small Cap Fund

Frank also recommended that the funds listed below be added to the Watch List for long-term underperformance specifically in the 3-year and 5-year timeframes:

- MFS Mass Inv Growth
- Morgan Stanley Mid cap Growth

The following action was taken:

Motion:
Regina Hilliard made a motion to remove Baron Small Cap Fund from the Watch List because its long-term performance had improved, and to add MFS Mass Inv. Growth fund and Morgan Stanley Mid Cap Growth fund to the Watchlist because of their underperformance in the 3 year and 5 year timeframes. Linda Matkins seconded the motion, which was approved by unanimous vote.

V. Future Agenda Items:
- Final Decision on Target Date Funds
- Use of General Account
- ROTH 457 discussion
- Compliance Audit
Deferred Compensation Board Meeting
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January 8, 2015

VI. Time and Date of the Next Meeting:
The next meeting is scheduled for **Monday, March 16, 2015 from 2-4pm in the City Manager’s Conference room 234.**

VII. Adjournment:
There being no further business the meeting was adjourned at 11:20am.

Submitted by David Hartzog, Payroll Administrator

Date

Approved by Chairperson, Patricia A. Phillips

Date
Deferred Compensation Board Meeting  
December 15, 2014 - 2:00 – 4:30  
City Manager’s Conference Room 234

Board members:
John Moss, Council Liaison - absent  
Bill Brunke, School Board Liaison - absent  
Patti Phillips (Chair), Director of Finance  
Farrell Hanzaker, Chief Financial Officers/Schools - absent  
Regina Hilliard, Director of Human Resources  
Melissa Bowers, Employee Relations Manager  
Terry Jenkins, City of Virginia Beach Retiree  
Linda Matkins, Director of Benefits  
David Hartzog, Payroll Administrator  
Ken Stolle, Sheriff/High Constable - absent

Great-West Representatives:
Al Calvo  
Anne Strine

Segal Rogerscasey Advisors, Inc. (SRC):
Frank Picarelli

Other City/Schools Staff:
Rod Ingram, Deputy City Attorney  
Nancy Leavitt, Debt & Financial Services Administrator

Recorder:
Loretta Brown, Finance Department

I. Call to Order:
Patti Phillips, Board Chair welcomed everyone and called the meeting to order at 2pm.

II. Review of Minutes:
The Board reviewed the minutes of September 2014. Regina Hilliard made a motion to approve the minutes of September 29, 2014, Linda Matkins seconded the motion, which was approved by unanimous vote.

III. Audit Update: Peter Alfele, Cherry Bekeart
Mr. Alfele distributed copies of the audited financial statements for the City/Schools Deferred Compensation Plan, and for the Sheriff’s 401(a) Plan. He also submitted the Agreed Upon-Procedures. Mr. Alfele provided a review of the City/Schools Financial statements and reported that:
1) An Unqualified Opinion was issued, so no modifications were made to the report  
2) The Plan increased by $34 million during the year.  
3) The Plan had a total of $235,544,677 at the end of year 2013  
4) During the year GASB 67 was issued, which will require additional disclosures for the next audit
5) In the Report of Independent Auditor on Internal Control over Financial Reporting and on compliance and Other Matters Based on an audit of Finance Statements (page 14) there were no matters to report.

Mr. Alfele reported that the Sheriff’s Plan essentially had the same required communications as the City/Schools Plan Audit. He announced that the Sheriff’s Plan had a new year-end of June 30th.

Mr. Alfele also reviewed the schedule of the Agreed-Upon Procedures. The schedule included the following information: Agreed-Upon Procedure, Procedure Details and Findings. Patti asked the auditors to add an Agreed Upon-Procedure, for the next audit, that would ensure that the amount contributed by the participant does not exceed the allowable limits.

In conclusion, Mr. Alfele commented that this was the 3rd year that the Plans had been audited, and that all of their requests were responded to quickly and accurately. He said that, “Everyone understands what we do and what the purpose is of the reports and procedures”.

The Financial Statements and the Agreed Upon-Procedures have been posted to: http://www.vbgov.com/government/departments/finance/Pages/DCB.aspx

IV. Investment Summary, Frank Picarelli
Frank reported that the Investment Policy has been revised and finalized. He noted that the section related to loans was removed as discussed at the October meeting. The final Investment Policy was included in the agenda package and has be posted to: http://www.vbgov.com/government/departments/finance/Pages/DCB.aspx

V. Bond Fund Replacement, Frank Picarelli
Frank submitted and provided an overview of SRC’s Core Fixed Income Search report. The purpose of the report was to provide background information on a possible bond fund to replace Pimco. Frank reminded the Board of the issues surrounding Pimco. He noted Bill Gross’ departure and Pimco’s current management changes. His overview included detailed information on: three Bond fund alternatives, the analysis covered SRC research process, organization and firm highlights, holdings, asset allocation, sector exposure, ratings, manager structure/ team, risk, upside down side market capture, long term performance, peer rankings, fund management fees, and related revenue sharing, to assist the Board in determining a replacement for the Pimco Total Return Fund.

Following the analysis of the active bond strategy a discussion took place related to the consolidation of the PIMCO Fund to the Vanguard Total Bond Index Fund as a lower cost alternative for the Plan Participants. There was a detailed discussion about the search results, and the pros and cons associated with active and index management. The following actions were taken:
Motion 1:
Terry Jenkins made a motion to terminate the PIMCO Total Return Fund and map it to the Vanguard Total Bond Market Index Fund, Linda Matkins seconded the motion, which was approved by unanimous vote.

Motion 2:
Terry Jenkins made a motion that contingent upon Great-West’s discussion with Vanguard regarding the Vanguard Total Bond Market Index Fund, if we are able to move into a lower share class version of the Vanguard product, then the Board should meet in January to discuss its options related to contract pricing requirements. Linda Matkins seconded the motion, which was approved by unanimous vote.

VI. Target Date Funds, Frank Picarelli
Frank recapped a discussion from the last meeting on target dates funds (complete details on each fund was outlined in the Target Date Fund Search Report). The three TDF candidates are:
1) American Funds Target Date Retirement Series
2) Great-West Lifetime Portfolios
3) T. Rowe Price Retirement Series

Following Frank’s recap, Anne noted that the Target Date Funds option would be a major change for participants and added that participants would need extensive training. She offered to provide some sample educational marketing materials for the board’s review. There was also a discussion about providing on-line training classes.

VII. Financial Market Conditions, Performance and Watch List Review, Frank Picarelli
Frank reported on the financial market conditions for the 3rd quarter of 2014. He provided information on: Summary by Asset Class, World Economy: Key Indicators; Investor Sentiment: Mutual Fund Flows; Investment Performance: U.S. Equities, Non-U.S. Equities, Emerging Market Equities, U.S. Fixed Income, Non-U.S. Fixed income, Commodities and Currencies, Hedge Funds, Private Equity, Real Estate and Noteworthy Developments. He noted that the U.S. Economy was positive.

Frank also reported on the assets of the City, Schools and Sheriff’s Plans for the period of July 1, 2014 through September 30, 2014. The ending balances are as follows:
- City, $225.9M
- Schools, $18.5M
- Sheriff’s Supplemental Retirement Plan $3.7M.
VIII. Watch List Recommendations, Frank Picarelli
Frank provided a review of the watch list and recommended the following funds remain on the watch list, with the exception of Baron Small Cap. He recommended that it be removed because its long-term performance had improved.

- Pimco Total Return Fund
- Mutual Shares
- Janus Forty
- Heartland Value Fund
- *Baron Small Cap Fund*

Frank also recommended that the funds listed below be added to the Watch List for long-term underperformance specifically in the 3-year and 5-year timeframes:

- MFS Mass Inv Growth
- Morgan Stanley Mid cap Growth

IX. Stable Value Fund & Activity Review, Al Calvo
Al reviewed the Virginia Beach fixed income fund quarterly report. Below are highlights of his review (the complete report was include in the agenda package). Al also provided the activity reports which are attached to these minutes.

- As of 9/30/14 the fund has assets of $111.7 million
- Next quarter credited rate to participants will be 1.90%
- Mark to book value is 100.7%
- Fund is being managed within policy

X. VML/VACo OPEB Update, Patti Phillips
Patti provided a brief overview of the City/Schools VACo/VML OPEB Trust report. The report outlined the activities of the Pooled Trust since June 2008. She noted that as of October 2014, the City/Schools Plan’s ending balance was $57,022,943 million.

XI. Future Agenda Items:
- Final Decision on Target Date Funds
- Use of General Account
- ROTH 457 discussion
- Compliance Audit
XII. Time and Date of the Next Meeting:
The next meeting is scheduled for Thursday, January 8, 2015 from 11:00 – 11:30 am, in room 234.

XIII. Adjournment:
There being no further business the meeting was adjourned at 4:30 pm.

[Signature]
Submitted by David Hartzog, Payroll Administrator
1/9/15

[Signature]
Approved by Chairperson, Patricia A. Phillips
Jan 8 2015
Deferred Compensation Board Meeting
Minutes – September 29, 2014 - 2:00 – 3:30
City Manager’s Conference Room 234

Board members:
John Moss, Council Liaison
Bill Brunke, School Board Liaison
Patti Phillips (Chair), Director of Finance
Farrell Hanzaker, Chief Financial Officers/Schools - absent
Regina Hilliard, Director of Human Resources
Melissa Bowers, Employee Relations Manager - absent
Terry Jenkins, City of Virginia Beach Retiree
Linda Matkins, Director of Benefits
David Hartzog, Payroll Administrator
Ken Stolle, Sheriff/High Constable - absent

Great-West Representatives:
Al Calvo
Anne Strine

Segal Rogerscasey Advisors, Inc. (SRC):
Frank Picarelli
Rebecca King

Other City/Schools Staff:
Rod Ingram, Deputy City Attorney
Nancy Leavitt, Debt & Financial Services Administrator
Susan Scofield, Schools Benefits Office

Recorder:
Loretta Brown, Finance Department

I. Call to Order:
Patti Phillips, Board Chair welcomed everyone and called the meeting to order at 2pm.

II. Review of Minutes:
The Board reviewed the minutes of June 23, 2014. Regina Hilliard made a motion to approve the minutes of June 23rd, 2014, Bill Brunke seconded the motion, which was approved by unanimous vote.

III. Audit Update, Nancy Leavitt
Nancy reported that Cherry Bekaert submitted the FY13 audit of both the City/Schools Deferred Compensation Plan and the Sheriff’s Plan for staff’s review. She added that the agreed-upon procedures should be submitted soon. The financial statements will be available for the board’s review at its December meeting.
Deferred Compensation Board Meeting
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September 29, 2014

IV. Legislative Items/Investment Advisor Contract Extension
Patti advised the board of two proposed items for the 2015 legislative agenda, they are:
1) Request a procurement process exemption for investment advisors. Patti briefly explained the details of this legislative item, and then shared that the contract with Segal RogersCasey is scheduled to expire in December. Pending whether this item is passed by the General Assembly, Patti proposed that the contract with RSC be extended until the end of June (6-month extension).

Motion:  
Bill Brunke made a motion to extend Segal RogersCasey’s contract to the end of June 2015, Terri Jenkins seconded the motion which was approved by unanimous vote.

2) Request to allow local governments participating in the VML/VaCO Pooled Trust for Post-Employment Benefits to use the VM/VaCO Board of Trustees to fulfill the requirement of a local finance board. The participating localities would receive quarterly reports from the VML/VaCO Board of Trustees providing the information that would traditionally be made available by a local finance board.

Councilman Moss announced that he sponsored both items and added that on October 20th City Council is scheduled to vote on the legislative package.

Mr. Brunke asked that the proposed legislative items be shared with Carolyn Weems of the School Board’s Legislative Committee. He indicated that he would contact Ms. Weems to let her know that Patti would be contacting her regarding the proposed legislative items.

V. Executive Summary Report/Activity Review, Al Calvo
Al submitted and provided a brief review of the new Executive Summary report that covers the quarterly plan review for the period ended June 30, 2014. The new report includes Great-West updates and summarizes quarterly plan review information. Al reviewed key areas of the report: 1) He announced that the new investment, Alliance Bernstein Discovery Value was added to the Plan on September 15th, 2) He pointed out that the distribution summary form no longer separates the reason for distributions (it is shown as separated/retired). Patti suggested adding a footnote stating that the results may include both terminated and retired employees.

Al introduced Anne Strine, Great West Client Relationship Director for the mid-Atlantic region. Anne indicated that the new summary report was for the board’s use. She asked board members to let her know if they would like her to include additional information in the report. Anne noted that the total eligible participant information on the Executive Summary report (listed under the participant summary column) was inaccurate due to payroll non-reporting of termination dates. Al will work with payroll to update the database.
Deferred Compensation Board Meeting  
Minutes – Page 3  
September 29, 2014

Anne announced that the J.P. Morgan, Putman Investments and Great-West merger was completed. She added that she would keep the board informed of any changes that may occur because of the merger.

Al announced that: 1) he received a restitution check from the R.S. Strong Fund which will be deposited into the General Account.

VI. Fund Recap for 3/31/14 – 6/30/14, Al Calvo

<table>
<thead>
<tr>
<th></th>
<th>City 457</th>
<th>Schools 457</th>
<th>Sheriff 401A</th>
</tr>
</thead>
<tbody>
<tr>
<td>Grand Total Plan Assets</td>
<td>$227,510,743</td>
<td>$18,301,870</td>
<td>$3,943,552</td>
</tr>
<tr>
<td>General Account Balance</td>
<td>$287,788</td>
<td>$20,562</td>
<td>$4,764</td>
</tr>
<tr>
<td>Payroll Contributions</td>
<td>$5,246,371</td>
<td>$732,709</td>
<td>*</td>
</tr>
<tr>
<td>Incoming Rollovers</td>
<td>$3,454,415</td>
<td>$1,870</td>
<td>*</td>
</tr>
<tr>
<td>Participant Distributions</td>
<td>$6,899,863</td>
<td>$454,534</td>
<td>*</td>
</tr>
<tr>
<td>Defined Benefits Service</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Credits to VRS</td>
<td>$0</td>
<td>$0</td>
<td>*</td>
</tr>
<tr>
<td>Total Participants</td>
<td>5,466</td>
<td>585</td>
<td>514</td>
</tr>
</tbody>
</table>

*Not Permitted By Plan

Al’s commented that the spike in the amount of rollovers this year was due to PLOP money and that he expects a large number of retirees this year.

VII. Activities Report for 3/31/14 – 6/30/14, Al Calvo

<table>
<thead>
<tr>
<th></th>
<th>City of Va. Beach</th>
<th>Va. Beach City Public Schools</th>
</tr>
</thead>
<tbody>
<tr>
<td>25 Presentations</td>
<td>1 Presentation</td>
<td></td>
</tr>
<tr>
<td>370 Attendees</td>
<td>12 Attendees</td>
<td></td>
</tr>
<tr>
<td>442 Appointments</td>
<td>50 Appointments</td>
<td></td>
</tr>
<tr>
<td>89 New Enrollments</td>
<td>15 New Enrollments</td>
<td></td>
</tr>
</tbody>
</table>

VIII. Participation Statistics as of 6/30/14, Al Calvo

<table>
<thead>
<tr>
<th></th>
<th>City 457</th>
<th>Schools 457</th>
<th>Sheriff 401A</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Participants with a Balance (All Current &amp; Former Employees)</td>
<td>5,466</td>
<td>585</td>
<td>*</td>
</tr>
<tr>
<td>Total Current Participants with a Balance (Currently Employed)</td>
<td>3,897</td>
<td>421</td>
<td>*</td>
</tr>
<tr>
<td>Total Contributing Participants (Current Employees Making Payroll Contributions)</td>
<td>3,185</td>
<td>309</td>
<td>*</td>
</tr>
</tbody>
</table>

*The Sheriff’s plan does not allow for employee contributions.
IX. General Account Update/Deposits/Withdrawals to the General Account, Al Calvo
   • General Account Report through 6/30/14 – This report provides general account
     information for the City, Schools and Sheriff’s Plans. It reported beginning balances,
     deposits, withdrawals, accrued interest and ending balances. (Ending Balances – City
     $287,788.24; Schools, $20,562.66; Sheriff, $4,763.71)
   • Deposits to the General Account for May 2014 – This report provided the amounts
     contractually due and the quarterly revenue excess deposited across all 3 plans. The
     total deposit was $15,077.24.
   • Withdrawals from the General Account Report for the 2nd qtr. – This report provided
     the withdrawal amounts from all 3 Plans. Withdrawals totaled $8,750.31

X. Quarterly Fee Reconciliation Review, Al Calvo
   Al reviewed the report of the Quarterly Fee Reconciliation for the 2nd quarter. Below are
   highlights of his review:
   • According to the contract, Great-West earns 6.25 basis points on average plan assets
     each quarter, any revenue surplus is prorated over all 3 Plans, based on the size of the
     assets in the Plans. There was a revenue surplus of $3,011.69 which was allocated as
     follows:
     – City - $2,744.28
     – Sheriff - $46.62
     – Schools - $220.79
   • Quarterly contractually due administrative remittance of $12,500 was deposited into
     the following Plans:
     – City, $11,390.12
     – Sheriff, $193.48
     – Schools - $916.40

XI. Stable Value Fund, As of 6/30/2014, Al Calvo
   Al announced that the Deloitte & Touche completed the annual audit of the Stable Value
   Fund (included in the agenda package). Al reviewed the Virginia Beach fixed income
   fund quarterly report. Below are highlights of his review, the complete report was
   included in the agenda package:
   • 235 long term holdings
   • Average Rating (S&P/Moody’s/Fitch) AA+/AAA/AAA
   • Current Market Value of Assets to Book Value of Liabilities 101.2%
   • Average duration of investments is 3.2 years
   • 2nd qtr. Credited rate 1.85%
   • 3rd qtr. Credited rate 1.85%
   • Managed within policy
XII. Investment Policy Review, Frank Picarelli
Frank submitted and reviewed the changes that were made to the Investment Policy (IP). Mr. Moss asked for clarification regarding the language...the General Account of Great-West Life & Annuity Insurance Company may, but is not obligated to, loan such deficiency to the Stable Asset Fund (located on page 9, under Loan from the General Account). After a brief discussion, it was pointed out that the SVF is guaranteed by a book value wrapper by Great-West Life & Annuity Insurance Company. Patti asked Frank to include this in the IP.

Motion
Mr. Moss made a motion that the Board adopt the revised Investment Policy with an additional amendment to add text referencing the wrapper and removing the text that references the loans. Regina seconded the motion which was approved by unanimous vote.

XIII. Financial Market Conditions, Performance Report & Watch List, Frank Picarelli
Frank provided a report on the financial market conditions for the board’s review. He also provided a short briefing on the Funds’ performance. He reported on the assets of the City, Schools and Sheriff’s Plans for the period of April 1, 2014 through June 30, 2014. The City had an ending balance of $227.2M and investment earnings of $5.4M; Schools had an ending balance of $18.2M and investment earnings of $405,759; Sheriff’s Plan had and ending balance of $3.8M and investment earnings of $97,948. Frank also reported on the Funds’ performance. There was some discussion about PIMCO, and Terri asked if SRC had an opinion on PIMCO. Frank noted that discussions were underway at SRC regarding a formal recommendation on PIMCO. Frank concluded that overall the funds were doing well, with the exception of those listed in the next section.

XIV. Watch List Update, Frank Picarelli
Frank provided a review of the watch list and recommended that the following funds remain on the watch list as of June 30, 2014:
1) Pimco Total Return Fund
2) Mutual Shares
3) Janus Forty
4) Janus Perkins Mid Cap Value A (was removed 9/10/14)
5) Heartland Value Fund
6) Baron Small Cap Fund
XV. Target Date Funds (TDFs), Rebecca King
Segal RogersCasey provided a detailed search report on the glide path allocation, performance expense ratios and equity exposure related to the three proposed TDF options for committee selection (the report was included in the agenda package). Rebecca explained that TDFs are designed to provide participants with a simplified investment option that is diversified among asset classes and that shift to a more conservative asset allocation over time. She also noted that the appeal of investing in a TDF is that asset allocation, diversification and risk are managed by the investment manager, and that participants make only one investment decision, selecting the target date. The three TDF candidates are: 1) American Funds Target Date Retirement Series, 2) Great-West Lifetime Portfolios, and 3) T. Rowe Price Retirement Series. Rebecca provided a detailed manager profile of each candidate and answered questions. Councilman Moss asked Ms. King for an example of what the fees would have been for a target date fund over a 5-10 year period.

Patti asked board members to email their questions/concerns about TDFs to her and she will forward them to Frank and Rebecca for a response. The consensus of the board was to have further discussion about TDFs at its December meeting. Patti asked that Frank and Rebecca attend the next meeting.

XVI. VML/VACo OPEB Update, Patti Phillips
Patti provided a brief overview of the City/Schools VACo/VML OPEB Trust report. The report outlined the activities of the Pooled Trust since June 2008. She noted that as of August 2014, the City/Schools Plan’s ending balance was $57.5 million.

XVII. Future Agenda Items:
- ROTH 457 discussion
- Target Date/and Brokerage Account
- Compliance Audit

XVIII. Time and Date of the Next Meeting:
The next meeting is scheduled for Monday, December 15, 2014 from 2:00 – 4:00pm, in room 234.
XIX. **Adjournment:**
There being no further business the meeting was adjourned at 4:15pm.

Submitted by David Hartvig, Payroll Administrator  

Approved by Chairperson, Patricia A. Phillips

Date: 11/5/15  
Date: Jan 13, 2015
Deferred Compensation Board Meeting
Minutes – June 23, 2014 - 2:00 – 3:30
City Manager’s Conference Room 234

Board members:
John Moss, Council Liaison - absent
Bill Brunke, School Board Liaison
Patti Phillips (Chair), Director of Finance
Farrell Hanzaker, Chief Financial Officers/Schools
Regina Hilliard, Director of Human Resources
Melissa Bowers, Employee Relations Manager - absent
Terry Jenkins, City of Virginia Beach Retiree
Linda Matkins, Director of Benefits - absent
David Hartzog, Payroll Administrator
Ken Stolle, Sheriff /High Constable - absent

Great-West Representatives:
Al Calvo
Amy Heyel
Anne Strine

Segal Rogerscasey Advisors, Inc. (SRC):
Frank Picarelli
Karissa Genovese

Guest:
Rebecca King, SRC Research Team

Other City/Schools Staff:
Rod Ingram, Deputy City Attorney
Nancy Leavitt, Debt & Financial Services Administrator
Susan Scofield, Schools Benefits Office

Recorder:
Loretta Brown, Finance Department

I. Call to Order:
Patti Phillips, Board Chair welcomed everyone and called the meeting to order at 2pm.

II. Review of Minutes:
The Board reviewed the minutes of March 24, 2014. Terri Jenkins made a motion to approve the minutes of March 24, 2014 with two corrections to page 1, they are: 1) Change Rod Ingram’s title from Associate City Attorney to Deputy City Attorney, 2) Under Section III, 3rd sentence it states that the fee for the audit is $24,495, it should read – The fee for the audit is $25,495. Farrell Hanzaker seconded the motion, which was approved by unanimous vote. Bill Brunke abstained because he was absent for the March 24 meeting.
III. Audit Update & RFP Investment Consultant, Nancy Leavitt
Nancy Leavitt informed the Board that the engagement letter with Cherry Bekaert for the 2013 audit of the financial statements of the City’s Deferred Compensation Plan has been signed. Field work is scheduled for the weeks of August 11 and August 18.

She also informed the Board that the Board’s contract with Segal Rogerscasey will terminate on December 31, 2014. The all-inclusive rate under the current contract is $35,000/year. The Board asked staff to investigate the options for commencing a RFP process for Investment Consultant for the Deferred Compensation Plan.

IV. Fund Recap for 1/1/14 – 3/31/14, Al Calvo

<table>
<thead>
<tr>
<th></th>
<th>City 457</th>
<th>Schools 457</th>
<th>Sheriff 401A</th>
</tr>
</thead>
<tbody>
<tr>
<td>Grand Total Plan Assets</td>
<td>$221,335,513</td>
<td>$17,663,923</td>
<td>$3,950,322</td>
</tr>
<tr>
<td>General Account Balance</td>
<td>$280,738</td>
<td>$20,012</td>
<td>$4,635</td>
</tr>
<tr>
<td>Payroll Contributions</td>
<td>$2,831,626</td>
<td>$387,393</td>
<td>*</td>
</tr>
<tr>
<td>Incoming Rollovers</td>
<td>$2,059,016</td>
<td>$ -</td>
<td>*</td>
</tr>
<tr>
<td>Participant Distributions</td>
<td>$3,579,174</td>
<td>$321,640</td>
<td>*</td>
</tr>
<tr>
<td>Defined Benefits Service Credits to VRS</td>
<td>$0</td>
<td>$0</td>
<td>*</td>
</tr>
<tr>
<td>Total Participants</td>
<td>5,440</td>
<td>575</td>
<td>514</td>
</tr>
</tbody>
</table>

*Not Permitted By Plan

V. Activities Report for 1/1/14 – 3/31/14, Al Calvo

<table>
<thead>
<tr>
<th>City of Va. Beach</th>
<th>Va. Beach City Public Schools</th>
</tr>
</thead>
<tbody>
<tr>
<td>14 Presentations</td>
<td>1 Presentation</td>
</tr>
<tr>
<td>259 Attendees</td>
<td>12 Attendees</td>
</tr>
<tr>
<td>240 Appointments</td>
<td>41 Appointments</td>
</tr>
<tr>
<td>70 New Enrollments</td>
<td>5 New Enrollments</td>
</tr>
</tbody>
</table>

VI. Participation Statistics as of 3/31/14, Al Calvo

<table>
<thead>
<tr>
<th></th>
<th>City 457</th>
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<tbody>
<tr>
<td>Total Participants with a Balance (All Current &amp; Former Employees)</td>
<td>5,440</td>
<td>575</td>
<td>*</td>
</tr>
<tr>
<td>Total Current Participants with a Balance (Currently Employed)</td>
<td>3,959</td>
<td>435</td>
<td>*</td>
</tr>
<tr>
<td>Total Contributing Participants (Current Employees Making Payroll Contributions)</td>
<td>3,216</td>
<td>321</td>
<td>*</td>
</tr>
</tbody>
</table>

*The Sheriff’s plan does not allow for employee contributions.
VII. General Account Update/Deposits/Withdrawals to the General Account, Al Calvo
   - General Account Report through 3/31/13 – This report provides general account information for the City, Schools and Sheriff’s Plans. It reported beginning balances, deposits, withdrawals, accrued interest and ending balances. (Ending Balances – City $280,738.53; Schools, $20,012.50; Sheriff, $4,635.22)
   - Deposits to the General Account for Feb. 2014 – This report provided the amounts contractually due, the quarterly revenue excess and the annual reconciliation excess deposited across all 3 plans. The total deposit was $71,837.97.
   - Withdrawals from the General Account Report for the 1st qtr. – This report provided the withdrawal amounts from all 3 Plans. Withdrawals totaled $8,749.97.

VIII. Quarterly Fee Reconciliation Review, Al Calvo
   Al reviewed the report of the Quarterly Fee Reconciliation for the 1st quarter. Below are highlights of his review:
   - According to the contract, Great-West earns 6.25 basis points on average plan assets each quarter, any revenue surplus is prorated over all 3 Plans, based on the size of the assets in the Plans. There was a revenue surplus of $2,577.24 which was allocated as follows:
     - City - $2,347.95
     - Sheriff - $41.91
     - Schools - $187.38
   - Quarterly contractually due administrative remittance of $12,500 was deposited into the following Plans:
     - City, $11,387.92
     - Sheriff, $203.25
     - Schools - $908.83

IX. Va. Beach Fixed Fund, As of 3/31/2014, Al Calvo
   Al submitted and reviewed the Virginia Beach fixed income fund quarterly report. Below are highlights of his review, the complete report was included in the agenda package:
   - 233 long term holdings
   - Average Rating (S&P/Moody’s/Fitch) AA+/AAA/AAA
   - Current Market Value of Assets to Book Value of Liabilities 100.2%
   - Average duration of investments is 3.6 years
   - Current yield is 2.37%
   - 1st qtr. Credited rate 1.95%
   - 2nd qtr. Credited rate 1.85%
   - Managed within policy
X. Retiree Education Program, Al Calvo
Al provided and reviewed the employee and retiree education report. The report outlined the various employee and retiree educational sessions that Al conducts for current employees, pending retirees, and early/mid-career employees. In addition, Al included an outline of “next steps” for the mid-year career employee and the “veteran” retiree. There was a discussion on increasing the number of presentations throughout the year, conducting a presentation specifically for long term retirees, as well as the possibility of offering a “free look” period for the Advisory services along with the possibility of a “pilot program” for employees utilizing the advisory service”-agc).

Action:
Patti asked Al to provide alternative approaches to improve retiree education.

XI. Wells Fargo Bond Fund Transition, Al Calvo
Al announced that the Wells Fargo Bond Fund transfer has been completed.

XII. Great West, Amy Heyel
Amy Heyel introduced Anne Strine as the new Client Relationship Director (CRD) for the Mid-Atlantic region. She then mentioned a few items that recently occurred at the GW corporate level-The purchase by Great West of JP Morgan’s large 401k block of business, as well as integrating the Putnam Investments platform onto the current Great West platform-agc).

XIII. Alternatives to Perkins Mid Cap Value, Frank Picarelli
Frank submitted the report for the Mid Cap Value candidates, the candidates are: 1) AllianceBernstein Discovery Value, 2) Vanguard Selected Value, and 3) Wells Fargo Advantage C&B Bid cap Value. Frank along with Rebecca King from SRC Research Team provided an overview of each candidate, which included the following details: Manager’s Profile, Fund Facts, Asset Allocations, Fund Characteristics, Risk Performance, Expense Ratios and Revenue Sharing. Each candidate also received a Segal Scoring System rating. Following a detailed discussion about each candidate the following action was taken:

Action:
*Regina made a motion to terminate Perkins Mid Cap Value, add AllianceBernstein LP and map to AllianceBernstein LP in accordance with the Investment Policy. Bill Brunke seconded the motion, which was approved by unanimous vote.

Patti asked Al to communicate this change to participants.
Financial Market Conditions, Performance Report & Watch List, Frank Picarelli

Frank provided a report on the financial market conditions for the board’s review. He also provided a short briefing on the Funds’ performance. He reported on the assets of the City, Schools and Sheriff’s Plans for the period of January 1, 2014 through March 31, 2014. The City had an ending balance of $221.3M and investment earnings of $2.2M; Schools had an ending balance of $17.6M and investment earnings of $178,778; Sheriff’s Plan had an ending balance of $3.9M and investment earnings of $44,140. Frank also reported on the Funds’ performance. Overall the funds are doing well, with the exception of the Baron Small Cap Fund (discussed below in the Watch List section).

Watch List Update, Frank Picarelli

Frank provided a review of the watch list and recommended that the following funds remain on the watch list:

1) Pimco
2) Mutual Shares
3) Janus Forty
4) Janus Perkins Mid Cap Value A
5) Heartland Value Fund

Frank recommended that Baron Small Cap Fund be placed on the watch list because of its underperformance in the 3 and 5 year periods. The following action was taken:

Action:
Regina made a motion to add the Baron Small Cap Fund to the Watch List for underperformance in the 3 and 5 year periods. Bill Brunke seconded the motion, which was approved by unanimous vote.

Investment Policy Review, Frank Picarelli

The Investment Policy review was tabled for the next meeting.

VML/VACo OPEB Update, Patti Phillips

Patti provided a brief overview of the City/Schools VACo/VML OPEB Trust report. The report outlined the activities of the Pooled Trust since June 2008. She noted that as of April 2014, the City/Schools Plan’s ending balance was $54,989,187 million

Future Agenda Items:

- ROTH 457 discussion (next meeting)
- Target Date/and Brokerage Account
- Compliance Audit
XIX. Time and Date of the Next Meeting:
The next meeting is scheduled for **Monday, September 29, 2014 from 2:00 – 3:30pm.**

XX. Adjournment:
There being no further business the meeting was adjourned at 4:15pm.

Submitted by David Hartzog, Payroll Administrator

Approved by Chairperson, Patricia A. Phillips

Date: 11/19/14
Date: Nov 19, 2014
Board members:
John Moss, Council Liaison - absent
Bill Brunke, School Board Liaison - absent
Patti Phillips (Chair), Director of Finance
Farrell Hanzaker, Chief Financial Officers/Schools
Regina Hilliard, Director of Human Resources
Melissa Bowers, Employee Relations Manager
Terry Jenkins, City of Virginia Beach Retiree
Linda Matkins, Director of Benefits - absent
David Hartzog, Payroll Administrator
Ken Stolle, Sheriff /High Constable

Great-West Representatives:
Al Calvo
Bill Thornton (Al Cunningham’s replacement)

Segal Rogerscasey Advisors, Inc. (SRC):
Frank Picarelli

Other City/Schools Staff:
Rod Ingram, Associate City Attorney
Nancy Leavitt, Debt & Financial Services Administrator

Guest:
Brian Struzzieri, Chief Deputy, Virginia Beach Sheriff’s Office

Recorder:
Loretta Brown, Finance Department

I. Call to Order:
Patti Phillips, Board Chair welcomed everyone and called the meeting to order at 2pm.

II. Review of Minutes:
The Board reviewed the minutes of October 7, 2013. Terri Jenkins made a motion to approve the minutes of October 7, 2013. Regina Hilliard seconded the motion, which was approved by unanimous vote.

III. Audit Authorization, Nancy Leavitt
Nancy advised the board that it was time to schedule the annual Plan audits for both the City’s Deferred Compensation Plan for calendar year 2013 and the Sheriff’s Office Supplemental Retirement Plan for the year ending June 2013 (previously August). She then requested the Board’s approval to contract with Cherry Bekaert to conduct the audits. The fee for the audit is $24,495. Great-West will pay for the Plans’ audits up to $25,000, as stated in the contract. The differences in the Plans’ year ends were briefly discussed and tabled for further discussion.
Deferred Compensation Board Meeting
Minutes – Page 2
March 24, 2014

ACTION:
Sheriff Stolle made a motion to authorize Cherry Bekaert to conduct audits of both the City’s Plan for calendar year 2013 and the Sheriff’s Plan for Fiscal 2013. Terri Jenkins seconded the motion, which was approved by unanimous vote.

IV. Fund Recap for, 2013, Al Calvo

<table>
<thead>
<tr>
<th></th>
<th>City 457</th>
<th>Schools 457</th>
<th>Sheriff 401A</th>
</tr>
</thead>
<tbody>
<tr>
<td>Grand Total Plan Assets</td>
<td>$217,833,428</td>
<td>$17,421,936</td>
<td>$3.94M</td>
</tr>
<tr>
<td>General Account Balance</td>
<td>$222,132</td>
<td>$15,340</td>
<td>$3,577</td>
</tr>
<tr>
<td>Payroll Contributions</td>
<td>$9,852,344</td>
<td>$1,300,257</td>
<td>*</td>
</tr>
<tr>
<td>Incoming Rollovers</td>
<td>$4,921,462</td>
<td>$287,043</td>
<td>*</td>
</tr>
<tr>
<td>Participant Distributions</td>
<td>$10,365,914</td>
<td>$914,060</td>
<td>*</td>
</tr>
<tr>
<td>Defined Benefits Service</td>
<td></td>
<td></td>
<td>*</td>
</tr>
<tr>
<td>Credits to VRS</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Total Participants</td>
<td>5,604</td>
<td>600</td>
<td>516</td>
</tr>
</tbody>
</table>

*Not Permitted By Plan

V. Activities Report for 2013, Al Calvo

<table>
<thead>
<tr>
<th>City of Va. Beach</th>
<th>Va. Beach City Public Schools</th>
</tr>
</thead>
<tbody>
<tr>
<td>81 Presentations</td>
<td>0 Presentations</td>
</tr>
<tr>
<td>1,496 Attendees</td>
<td>0 Attendees</td>
</tr>
<tr>
<td>996 Appointments</td>
<td>113 Appointments</td>
</tr>
<tr>
<td>239 New Enrollments</td>
<td>41 New Enrollments</td>
</tr>
</tbody>
</table>

Al noted that: 1) new employees who are eligible to join the hybrid plan will be directed to the state’s 457 plan, and 2) data will be generated for new employees who have transferred to the city but have prior VRS service.

VI. Participation Statistics as of 12/31/13, Al Calvo

<table>
<thead>
<tr>
<th></th>
<th>City 457</th>
<th>Schools 457</th>
<th>Sheriff 401A</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Participants with a Balance</td>
<td>5,604</td>
<td>600</td>
<td>*</td>
</tr>
<tr>
<td>(All Current &amp; Former Employees)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total Current Participants with a Balance</td>
<td>3,968</td>
<td>433</td>
<td>*</td>
</tr>
<tr>
<td>(Currently Employed)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total Contributing Participants</td>
<td>3,298</td>
<td>334</td>
<td>*</td>
</tr>
<tr>
<td>(Current Employees Making Payroll</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Contributions)</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*The Sheriff’s plan does not allow for employee contributions.
Deferred Compensation Board Meeting
Minutes – Page 3
March 24, 2014

During Al’s report on participant statistics there was discussion about the overall information he provides to participants regarding financial investing/retirement planning. For discussion at the next meeting, Patti asked Al to provide recommendations on how to help participants better understand that some of their investing/retirement planning decisions could have unexpected tax consequences and penalties.

VII. General Account Update/Deposits/Withdrawals to the General Account, Al Calvo
- General Account Report through 12/31/13 – This report provides general account information for the City, Schools and Sheriff’s Plans. It reported beginning balances, deposits, withdrawals, accrued interest and ending balances. (Ending Balances – City $222,132.34; Schools, $15,340.24; Sheriff, $3,576.71)
- Deposits to the General Account for Nov. 2013 – This report provided the amounts contractually due, plus the surplus in quarterly fees deposited across all 3 plans. The total deposit was $15,054.42.
- Withdrawals from the General Account Report for the 4th qtr. – This report provided the withdrawal amounts from all 3 Plans. Withdraws totaled $11,428.21.

VIII. Quarterly Fee Reconciliation Review, Al Calvo
Al reviewed the report of the Quarterly Fee Reconciliation for the 4th quarter. Below are highlights of his review:
- According to the contract, Great-West earns 6.25 basis points on average plan assets each quarter, any revenue surplus is prorated over all 3 Plans, based on the size of the assets in the Plans. There was a revenue surplus of $2,046.34 which was allocated as follows:
  - City - $1,863.59
  - Sheriff - $33.71
  - Schools - $149.05
- Quarterly contractually due administrative remittance of $12,500 was deposited into the following Plans:
  - City, $11,383.65
  - Sheriff, $209.90
  - Schools - $910.10

Annual Reconciliation for 2013, Al Calvo
The average $80.00 annual contractual maximum revenue per participant account was exceeded by $9.26 per participant for a total of $57,291.62 and credited to the Plan accounts (City, Sheriff, Schools), based on the size of the assets in the Plans.
IX. Stable Value Fund (SVF) Update & Proposed changes to the Invest Guidelines of the Stable Asset Fund, Bill Thornton

Below are highlights of Bill’s SVF Update:

- A separate account held for the exclusive benefit of the participants of the City’s Plan
- Expense ratio is 0.40%, half of that is returned to the Plan
- Fund is audited annually by Deloitte & Touche
- Cathe Tocher, is the Lead Portfolio Manager
- 231 long term investments (mostly FHLMC, FNMA Mortgage Backed Securities)
- All securities rated AAA (Moody’s)
- Current MV to BV is 99.7% (below 100% for the 1st time in the 4th quarter)
- Average duration of investments is 3.9 years
- Current yield is 2.39%
- 1st qtr. Credited rate 1.95%
- 2nd qtr. Credited rate expected to be 1.85%
- Managed within policy

Bill presented and discussed in detail the proposed SVF investment guideline changes. The new guidelines proposed a 10% increase in new asset investment options (listed on pg.2 of the proposed Guidelines). The Board discussed both the advantages and disadvantages of diversifying. In Bill’s handout it stated, “A broad policy affords Great-West flexibility to take advantage of relative value across asset classes and diversify the types of risk in the portfolio.” Frank indicated that diversifying creates a slight risk to the Fund, but added that it should also create opportunities to enhance the performance of the Fund. Bill reminded the Board that Great-West Life & Annuity Insurance Company provides a book value wrapper which guarantees this Fund.

ACTION:

Sheriff Stolle made a motion to revise the Plan’s Statement of Investment Policy in a manner consistent with the draft IPS submitted by Great-West (“Attachment A”) in order to authorize new asset investment options for the Stable Value Fund. Farrell Hanzaker seconded the motion, which was approved by unanimous vote.

X. Financial Market Conditions, Performance Report & Watch List, Frank Picarelli

Frank provided an overview of the financial market conditions of the 4th quarter of 2013, which covered the following: Growth Domestic Product, Inflation, Labor Market and Unemployment Rate, Net Mutual Fund Flows, Investment Performance and Noteworthy Developments (complete report was provided to the board). Frank also reported on the assets of the City, Schools and Sheriff’s Plans for the period of October 1, 2013 through December 31, 2013. City had an ending balance of $217.8M and investment earnings of $9.6M; Schools had an ending balance of $17.4M and investment earnings of $693,531; Sheriff’s Plan had an ending balance of $3.9 million, and investment earnings of $173,287.
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Frank also reported on the funds’ comparative performance. He noted that overall the funds were doing well, with the following exceptions: Pimco and Wells Fargo. Frank pointed out that there had been a change to Pimco’s management and that SegalRogersCasey (SRC) has prepared a manager notice to document its position on the fund. At this time the recommendation is to place the fund on watch list and SRC will follow up during the year on any new developments. The Wells Fargo Government Security Fund is an all governmental mutual fund similar in structure to the Stable Value Fund. In addition, the fund has a high expense ratio of 90 bps and with current yields, it is possible for a participant to experience negative returns. Because of low utilization, high expense ratio, and a similarity to the Stable Value Fund a discussion took place regarding the mapping of the Wells Fargo Government Security Fund to the Stable Value Fund.

ACTION:
Sheriff Stolle made a motion to liquidate the Wells Fargo Government Security Fund and to map it to the Stable Value Fund. Farrell Hanzaker seconded the motion, which was approved by unanimous vote.

He then provided a review of the watch list and made the following recommendations:

1) Add Pimco to the watch list because of change in management.
2) Remove American Funds Growth Fund of America from the watch list because its performance had improved over the last 3 years.
3) Continue to keep Janus Forty, Heartland Value Fund, Mutual Shares Fund, Janus Perkins Mid Cap Value on the watch list because of poor performance over the 3 and 5 year periods.
4) Present fund alternatives to the mid cap value Perkins Mid Cap Value Fund because of its poor peer rank and performance for both the 3 and 5 year periods. Frank will present alternatives at the next meeting for possible replacement.

ACTION:
Farrell made a motion to 1) remove American Funds from the watch list because its performance had improved over the last 3 years, 2)add PIMCO to the watch list because of a manager change, and 3) continue to keep Mutual Shares Fund, Janus Forty Heartland Value Fund, Janus Perkins Mid Cap Value on the watch list. Terri Jenkins seconded the motion, which was approved by unanimous vote.

In addition Frank discussed the purpose of the watch list. He explained that the watch list was intended solely for the Board and was useful in policy setting and decision making. He then pointed out that posting the watch list to the Web site may cause participants to take action while not knowing all of the details. Frank advised the Board to remove the watch list report from the Deferred Compensation Web site and replace it with the consolidated summary report which provides an overview of the funds. The board was in agreement with Frank’s recommendations. Patti directed Loretta to begin posting the consolidated summary report to the Web site.
Deferred Compensation Board Meeting
Minutes – Page 6
March 24, 2014

XI. Segal Scoring System (SSS), Frank Picarelli
Frank briefly explained the details of the Segal Scoring System (SSS was included in the agenda package).

XII. VML/VACo OPEB Update, Patti Phillips
Patti provided a brief overview of the City/Schools VACo/VML OPEB Trust report. The report outlined the activities of the Pooled Trust since June 2008. She noted that as of January 2014, the City/Schools Plan’s ending balance was $53.5 million. Patti added that the City/Schools may not continue to contribute to the Trust because it is so well funded.

XIII. Future Agenda Items:
• ROTH 457 discussion (next meeting)
• Target Date/and Brokerage Account
• Compliance Audit

XIV. Time and Date of the Next Meeting:
The next meeting is scheduled for Monday, June 23 from 2:00 – 3:30pm.

XV. Adjournment:
The meeting was adjourned at 4:12pm.

Submitted by David Hartzog, Payroll Administrator

Date

Approved by Chairperson, Patricia A. Phillips

Date
Deferred Compensation Board Meeting
Minutes – October 7, 2013 - 2:00 – 3:30
City Manager’s Conference Room 234

Board members:
John Moss, Council Liaison - absent
Bill Brunke, School Board Liaison
Patti Phillips (Chair), Director of Finance
Farrell Hanzaker, Chief Financial Officers/Schools
Regina Hilliard, Director of Human Resources
Melissa Bowers, Employee Relations Manager
Terry Jenkins, City of Virginia Beach Retiree
Linda Matkins, Director of Benefits - absent
David Hartzog, Payroll Administrator
Ken Stolle, Sheriff /high Constable - absent

Great-West Representatives:
Al Calvo
Steve Wright

Segal Rogercasey Advisors, Inc.:
Frank Picarelli (joined by telephone)

Other City/Schools Staff:
Rod Ingram, Associate City Attorney
Nancy Leavitt, Debt & Financial Services Administrator
Susan Scofield, Schools

Recorder:
Loretta Brown, Finance Department

I. Call to Order:
Patti Phillips, Board Chair welcomed everyone and called the meeting to order at 2pm and then provided a brief review of the agenda.

II. Review of Minutes:
The Board reviewed the minutes of June 13, 2013. Farrell Hanzaker made a motion to approve the minutes. Regina Hilliard seconded the motion, which was approved by unanimous vote.

III. Audit Update, Patti Phillips
Mr. Peter Alfele, of Cherry Bekeart (CB) distributed copies of: 1) the audit of the City/Schools Deferred Compensation Plan and the Sheriff’s 401(a) Plan, and 2) a letter addressed to the Deferred Compensation Board which explained some of the communications that the auditors are required to relate.
Mr. Alfele reviewed the City/Schools financial statements in detail, including the Agree Upon Procedures. During his review, the board raised concerns about:

1) The Other Matter section in the Report of the Independent Auditor. The Board asked that the Other Matter section be deleted and replaced with Management’s Discussion and Analysis (MD &A). Patti will provide the MD & A to the auditors.

2) The reference to participants contributing a percentage of their pre-tax annual compensation under Note 1. It was pointed out that participant contributions are not based on percentages. The Board asked that this section be changed to read: *The minimum contribution is $10.00 per pay period up to a maximum of 100% of compensation.*

Mr. Alfele also reported on the Sheriff’s Plan and noted that the required communications are effectively the same as the Deferred Compensation Plan. He said that the Sheriff’s office made an employer contribution of $287,843. The Sheriff’s 401(a) Plan allows employer contributions. Mr. Alfele indicated that it would be less complicated compiling the records of the Sheriff’s Plan had its year end been the same as the City’s Deferred Compensation Plan, and would make comparisons more logical. He pointed out that the Sheriff’s Plan had an odd year end of August 31. Patti responded that she would relay that information to Sheriff Stolle.

Mr. Alfele said that a management representation letter would be required upon the Board’s approval of the statements. The board approved the audit subject to the changes discussed.

IV. Fund Recap at June 30, 2013, Al Calvo

<table>
<thead>
<tr>
<th></th>
<th>City 457</th>
<th>Schools 457</th>
<th>Sheriff 401A</th>
</tr>
</thead>
<tbody>
<tr>
<td>Grand Total Plan Assets</td>
<td>$198,832,415</td>
<td>$16,102,461</td>
<td>$3,78M</td>
</tr>
<tr>
<td>General Account Balance</td>
<td>$210,029</td>
<td>$14,415</td>
<td>$3,357.13</td>
</tr>
<tr>
<td>Payroll Contributions</td>
<td>$4,805,101</td>
<td>$715,746</td>
<td>*</td>
</tr>
<tr>
<td>Incoming Rollovers</td>
<td>$2,585,004</td>
<td>$46,313</td>
<td>*</td>
</tr>
<tr>
<td>Participant Distributions</td>
<td>$5,369,908</td>
<td>$175,444</td>
<td>*</td>
</tr>
<tr>
<td>Defined Benefits Service Credits to VRS</td>
<td>$0</td>
<td>$0</td>
<td>*</td>
</tr>
<tr>
<td>Total Participants</td>
<td>5,466</td>
<td>577</td>
<td>505</td>
</tr>
</tbody>
</table>

*Not Permitted By Plan*

Al reported that in July there was an unusual spike in hardship requests which was due to potential foreclosures. The board discussed various resources available to assist those facing foreclosure. Patti instructed Al to begin making this information available to participants who apply for hardship withdrawals. Al said that he would start including a list of resources in the hardship application.

It was noted that: 1) the Sheriff’s Plan does not allow for hardship withdrawals and, 2) the Schools 403(b) Plan requires that the participant first take out a loan before submitting a request for a hardship withdrawal.
V. Activities Report through June 2013, Al Calvo

<table>
<thead>
<tr>
<th>City of Va. Beach</th>
<th>Va. Beach City Public Schools</th>
</tr>
</thead>
<tbody>
<tr>
<td>52 Presentations</td>
<td>0 Presentations</td>
</tr>
<tr>
<td>1,068 Attendees</td>
<td>0 Attendees</td>
</tr>
<tr>
<td>527 Appointments</td>
<td>59 Appointments</td>
</tr>
<tr>
<td>118 New Enrollments</td>
<td>17 New Enrollments</td>
</tr>
</tbody>
</table>

VI. Participation Statistics as of 6/3/13, Al Calvo

<table>
<thead>
<tr>
<th></th>
<th>City 457</th>
<th>Schools 457</th>
<th>Sheriff 401A</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Participants with a Balance (All Current &amp; Former Employees)</td>
<td>5,466</td>
<td>577</td>
<td>*</td>
</tr>
<tr>
<td>Total Current Participants with a Balance (Currently Employed)</td>
<td>4,015</td>
<td>420</td>
<td>*</td>
</tr>
<tr>
<td>Total Contributing Participants (Current Employees Making Payroll Contributions)</td>
<td>3,278</td>
<td>316</td>
<td>*</td>
</tr>
</tbody>
</table>

*The Sheriff’s plan does not allow for employee contributions.

VII. General Account Update/Deposits/Withdrawals to the General Account through 6/30/13, Al Calvo

- General Account Report – This report provides general account information for the City, Schools and Sheriff’s Plans. It reported beginning balances, deposits, withdrawals, accrued interest and ending balances. (Ending Balances – City $210,029.47; Schools, $14,415.19; Sheriff, $3,357.13)

- Deposits to the General Account Report – This report provided the amounts contractually due. Also a fund restitution check of $363.37 was deposited into the GA account. The total deposit was $12,863.37.

- Withdrawals to the General Account Report – This report provided the withdrawal amounts from all 3 Plans through 6/30/13. The total withdrawals were $8,802.12.

VIII. Quarterly Fee Reconciliation Review, Al Calvo

Below are highlights of Al’s, review:

- According to the contract, Great-West earns 6.25 basis points on average plan assets each quarter, any revenue surplus is prorated over all 3 Plans, based on the size of the assets in the Plans. Al reported that fees totaling $127,283.95 were received for the quarter, however there was a deficit carried over from the previous quarter of $3,869.95. As a result of the offset, a total of $3,595.77 will be distributed across all 3 Plans based on the size of the accounts.

- Quarterly contractually due administrative remittance of $12,500 was deposited into the following Plans:
  - City, $11,363.05
  - Sheriff, $216.56
  - Schools - $920.39
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IX. Stable Value Fund (SVF), Al Calvo
Al provided a brief review of the SVF. He reported that the SVF is being managed within policy and that the market to book value is more than 100%. The 2nd quarter credited rate to participants is 2.05%. Al said that if the interest rate environment continues to rise, in the long run, the bonds that are maturing would be invested at increasingly higher rates, which would begin to (slowly) move the overall rate of the portfolio upward, as new money (i.e. newly purchased bonds) would be invested at these higher rates.

X. Financial Market Conditions & Performance Report, Frank Picarelli
Frank provided an overview of the financial market conditions of the 2nd quarter of 2013, which covered the following: Growth Domestic Product, Inflation, Labor Market and the Unemployment Rate, Mutual Fund Flows, Investment Performance and Noteworthy Developments (complete report was provided to the board). He also reported on the assets of the City, Schools and Sheriff’s Plans for the period of April 1, 2013 through June 30, 2013.

In addition, Frank reported on the performance of the funds and noted that overall the funds were doing well. He recommended that the funds currently on the watch list should remain there because of poor performance over the 3 and 5 year periods. They are:
1) Janus Forty, Heartland Value Fund
2) Mutual Shares Fund
3) American Funds Growth Fund of America
4) Janus Perkins Mid Cap Value
5) Heartland Value Fund

XI. Hybrid Pension Plan, Patti Phillips
Patti announced that effective January 1, 2014 all new hires (hybrid employees) would be required to participate in the State’s hybrid deferred compensation plan for mandatory and voluntary defined contributions. Rod stated that this means hybrid employees would not be able to participate in the City’s Deferred Compensation Plan or the School’s Deferred Compensation Plan. Patti explained that as a result of the new hybrid plan, the definition of “employee” in the Deferred Compensation Adoption Agreement would need to be amended. Terry Jenkins made a motion to support amending the adoption agreement to exclude hybrid employees, Regina Hilliard seconded the motion, which was approved by a unanimous vote.

XII. NAGDCA Conference, Rod Ingram
Rod provided highlights from the 2013 NAGDCA Conference that he attended in September. He also shared some educational website addresses, they are: www.saveandinvest.org and www.investor.gov.

XIII. National Save For Retirement Week (NSFRW), Al Calvo
Al announced that NSFRW is scheduled for October 20 – 26th. Al will be conducting a number of educational seminars during that week and will also contact Donna Mickley to get NSFRW publicized on beanchnet.
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XIV. VML/VACo OPEB Update, Patti Phillips
Patti provided a brief overview of the City/Schools VACo/VML OPEB Trust report. She noted that the City/Schools is in Plan 1 and the return is 10.6% for the year. The report outlined the activities of the Pooled Trust since June 2008. Included for the Deferred Compensation Board’s review was a copy of Portfolio 1’s Rates of Return Summary & Universe Rankings.

XV. Future Agenda Items:
• Review of Account Analysis
• Sensitivity Discussion
• Annual Year End Review

XVI. Time and Date of the Next Meeting:
The next meeting is scheduled for Monday, March 24 from 2:00 – 3:30pm.

XVII. Adjournment:
There being no further business, Farrell Hanzaker made a motion to adjourn the meeting at 4:00pm, Terry Jenkins seconded the motion, which was approved by a unanimous vote.

Submitted by David Hartzog, Payroll Administrator
Date 4/4/14

Approved by Chairperson, Patricia A. Phillips
Date 4/7/14
Board members:
John Moss, Council Liaison - absent
Bill Brunke, School Board Liaison
Patti Phillips (Chair), Director of Finance
Farrell Hanzaker, Chief Financial Officers/Schools
Regina Hilliard, Director of Human Resources
Melissa Bowers, Employee Relations Manager
Terry Jenkins, City of Virginia Beach Retiree
Linda Matkins, Director of Benefits - absent
David Hartzog, Payroll Administrator
Ken Stolle, Sheriff / High Constable - absent

Great-West Representative:
Al Calvo
Amy Heyel
Steve Wright

Segal Rogerscasey Advisors, Inc.:
Frank Picarelli (joined by telephone)

Other City/Schools Staff:
Rod Ingram, Associate City Attorney
Nancy Leavitt, Debt & Financial Services Administrator
Susan Scofield, Schools

Recorder:
Loretta Brown, Finance Department

I. Call to Order:
Patti Phillips, Board Chair welcomed everyone and called the meeting to order at 1pm and then provided a brief review of the agenda.

II. Review of Minutes:
The Board reviewed the minutes of March 26, 2013. Bill Brunke made a motion to approve the minutes. Terry Jenkins seconded the motion, which was approved by unanimous vote.

III. Audit Update, Patti Phillips
Nancy reported that Cherry Bekeart (CB) has begun work on the 2012 audit of the City, Schools and Sheriff's plans and has completed its preliminary field work of the audit. Nancy reviewed CB's audit schedule and noted that they are expected to complete their field work in August. A draft report will be submitted to staff by September 1. The report will be provided to the Board for its review at the next meeting.
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IV. Fund Recap 2013, Al Calvo  
Prior to his report, Al introduced Amy Heyel, Great-West Vice President of the Eastern Region and Steve Wright, Great-West Regional Director. He then turned the meeting over to Amy for a few comments. Amy shared information about Great West’s new Website enhancements. She noted that the enhancements are designed to help participants get ready for retirement. As a result of the enhancements, Amy indicated that participants started taking action by increasing their contributions and by making changes to their investment allocations. Al added that the Wall Street Journal had featured an article about Great-West’s new Website enhancements. Patti requested a copy of the article.

<table>
<thead>
<tr>
<th></th>
<th>City 457</th>
<th>Schools 457</th>
<th>Sheriff 401A</th>
</tr>
</thead>
<tbody>
<tr>
<td>Grand Total Plan Assets</td>
<td>$195,590,159</td>
<td>$15,648,699</td>
<td>$3,77M</td>
</tr>
<tr>
<td>General Account Balance</td>
<td>$205,343</td>
<td>$14,067</td>
<td>$3,272.14</td>
</tr>
<tr>
<td>Payroll Contributions</td>
<td>$2,345,249</td>
<td>$383,361</td>
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</tr>
<tr>
<td>Incoming Rollovers</td>
<td>$1,418,537</td>
<td>$29,552</td>
<td>*</td>
</tr>
<tr>
<td>Participant Distributions</td>
<td>$2,874,692</td>
<td>$151,988</td>
<td>*</td>
</tr>
<tr>
<td>Defined Benefits Service</td>
<td></td>
<td></td>
<td>*</td>
</tr>
<tr>
<td>Credits to VRS</td>
<td>$0</td>
<td>$0</td>
<td>*</td>
</tr>
<tr>
<td>Total Participants</td>
<td>5,399</td>
<td>569</td>
<td>508</td>
</tr>
</tbody>
</table>

*Not Permitted By Plan

Al commented that:
- Retirements are up and that VRS has received 1800 applications (statewide) for a July1 retirement.
- Many retirees are electing to have their leave payout contributed to the 457 Plan.
- Retirees utilizing the PLOP option are electing to have their money rolled into the 457 Plan.
- He conducts special quarterly meetings to provide information about the 457 Plan. He noted that he can start also conducting special quarterly meetings for members of Schools.

V. 2013 Activities Report, Al Calvo

<table>
<thead>
<tr>
<th></th>
<th>City of Va. Beach</th>
<th>Va. Beach City Public Schools</th>
</tr>
</thead>
<tbody>
<tr>
<td>27 Presentations</td>
<td>0 Presentations</td>
<td></td>
</tr>
<tr>
<td>461 Attendees</td>
<td>0 Attendees</td>
<td></td>
</tr>
<tr>
<td>273 Appointments</td>
<td>36 Appointments</td>
<td></td>
</tr>
<tr>
<td>53 New Enrollments</td>
<td>9 New Enrollments</td>
<td></td>
</tr>
</tbody>
</table>
Deferred Compensation Board Meeting
Minutes - Page 3
June 13, 2013

VI. Participation Statistics as of 3/31/13, Al Calvo

<table>
<thead>
<tr>
<th></th>
<th>City 437</th>
<th>Schools 457</th>
<th>Sheriff 401A</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Participants with a Balance (All Current &amp; Former Employees)</td>
<td>5,399</td>
<td>569</td>
<td>*</td>
</tr>
<tr>
<td>Total Current Participants with a Balance (Currently Employed)</td>
<td>4,035</td>
<td>434</td>
<td>*</td>
</tr>
<tr>
<td>Total Contributing Participants (Current Employees Making Payroll Contributions)</td>
<td>3,265</td>
<td>328</td>
<td>*</td>
</tr>
</tbody>
</table>

*The Sheriff’s plan does not allow for employee contributions.

VII. General Account Update/Deposits/Withdrawals to the General Account for the 1st Quarter of 2013, Al Calvo

- **General Account Report** - This report provides general account information for the City, Schools and Sheriff’s Plans. It reported beginning balances, deposits, withdrawals, accrued interest and ending balances. (Ending Balances - City $205,138.80; Schools, $14,067.95; Sheriff, $3,272.14.)

- **Deposits to the General Account Report** - This report provided the amounts contractually due, plus the surplus in quarterly fees deposited across all 3 plans. The total deposit was $14,422.16.

- **Withdrawals to the General Account Report** - This report provided the withdrawal amounts from all 3 Plans for the 1st Quarter of 2013. The total withdrawals were $8,697.86.

VIII. Quarterly Fee Reconciliation Review, Al Calvo

Below are highlights of Al’s review:

- According to the contract, Great-West earns 6.25 basis points on average plan assets each quarter, any revenue surplus is prorated over all 3 Plans, based on the size of the assets in the Plans. Al reported that there was not a revenue surplus for this quarter because Franklin-Templeton’s payment was received after the quarter end. Fees received totaled $127,283.95 (which is $3,869.95) less than what Great-West was contractually due. As stated in the contract, Great-West will carry forward the revenue deficit amount to the following quarters and allow the deficit to be offset by any future surpluses.
Deferred Compensation Board Meeting
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June 13, 2013

- Quarterly contractually due administrative remittance of $12,500 was deposited into the following Plans:
  - City, $11,370.49
  - Sheriff, $219.64
  - Schools - $909.87

IX. Stable Value Fund (SVF), Al Calvo
Al provided a brief review of the SVF. He reported that the SVF is being managed within policy and that the market to book value is more than 100% (complete report was provided). The 1st quarter credited rate to participants was 2.35% and the 2nd quarter credited rate to participants is 2.30%. Al reported that Deloitte & Touche completed its audit of the SVF and noted that it received a “clean” unqualified opinion. Al also announced that Al Cunningham will be retiring from Great-West this year and that Bill Thornton will be assuming his responsibilities. Bill will provide the next SVF annual review.

X. Restitution Check, Al Calvo
Al reported that the Plan received a settlement check from the Strong Securities Litigation Settlement Fund for $350.47. In accordance with the Plan’s current policy the check was deposited into the General Account.

XI. Financial Market Conditions & Performance Report, Frank Picarelli
Frank provided an overview of the financial market conditions of the 1st quarter of 2013, which covered the following: Growth Domestic Product, Inflation, Labor Market and the Unemployment Rate, Mutual Fund Flows, Investment Performance and Noteworthy Developments. He also reported on the assets of the City, Schools and Sheriff’s Plans for the period of January 1, 2013 through March 31, 2013.

In addition, Frank reported on the performance of the funds. He noted that overall the funds are doing well. The following funds are on watch list because of their poor performance over the 3 and 5 year periods: Janus Forty, Heartland Value Fund, Mutual Shares Fund and American Funds Growth Fund of America. Frank recommended that Janus Perkins Mid Cap Value A be added to the Watch List because of its poor performance over the 3 and 5 year periods. Farrell made a motion to place Janus Perkins Mid Cap Value A on the Watch List. Bill Brunke seconded the motion, which was approved by a unanimous vote.

Mr. Brunke pointed out that all small, medium and large value funds that are offered are now on the watch list. Patti asked Frank to be prepared to discuss this issue during the next review of the Investment Policy.
XII. National Association of Government Defined Contribution Administrators (NAGDCA), Patti Phillips
Patti announced that the 2013 NAGDCA Annual Conference will be held in Louisville, Kentucky, September 8 -11. The conference will include various session topics including: trending in the marketplace, fee disclosure and IRS audits. Frank noted that the conference focuses on 457 Plans. Patti asked the board to consider sending someone from the board or staff to the conference. She estimated travel expenses to be $2,000 per person which would be paid from the general account. Following a brief discussion, the board indicated that it would: 1) like to send Rod Ingram to the conference, and 2) have an in-house training session for the board. **Farrell Hanzaker made a motion to authorize Rod Ingram, Deputy City Attorney to attend the NAGDCA conference, Terry Jenkins seconded the motion, which was approved by a unanimous vote.**

Frank and Al offered to provide the in-house board training session. Patti asked Frank and Al to work together to coordinate this 1-day training.

XIII. Hybrid Pension Plan, Patti Phillips
Patti provided information about the new Hybrid pension Plan which will be effective January 1, 2014. The Board discussed several issues surrounding the new Plan. Bill indicated that when the new Hybrid Pension Plan goes in effect he would like to receive ongoing data to monitor whether or not there is a decrease in contributions into the City's 457 Deferred Compensation Plan.

XIV. VML/VA Co OPEB Update, Patti Phillips
Patti provided a brief overview of the City/Schools VACo/VML OPEB Trust report. The report outlined the activities of the Pooled Trust since June 2008 and showed that the City and Schools have a combined market value of $47.9 million as of April 2013. Included for the Deferred Compensation Board’s review was a copy of Portfolio 1’s Rates of Return Summary & Universe Rankings.
Deferred Compensation Board Meeting
Minutes – Page 6
June 13, 2013

XV. Future Agenda Items:
• Review of Account Analysis
• Sensitivity Discussion
• Annual Year End Review

XVI. Time and Date of the Next Meeting:
The next meeting is scheduled for Monday, October 7 from 2:00 – 3:30pm.

XVII. Adjournment:
The meeting was adjourned at 2:30am.

Submitted by David Hartzog, Payroll Administrator

Approved by Chairperson, Patricia A. Phillips

Date

10/31/13

Date

Oct 30, 2013
Deferred Compensation Board Meeting
Minutes March 26, 2013 – 11:30 - Noon
City Manager's Conference Room 234

Board members:
John Moss, Council Liaison - absent
Bill Brunke, School Board Liaison
Patti Phillips (Chair), Director of Finance
Farrell Hanzaker, Chief Financial Officers/Schools
Regina Hilliard, Director of Human Resources
Terry Jenkins, City of Virginia Beach Retiree
Linda Matkins, Director of Benefits - absent
David Hartzog, Payroll Administrator
Ken Stolle, Sheriff / High Constable - absent

Great-West Representative:
Al Calvo

City Staff:
Rod Ingram, Associate City Attorney
Nancy Leavitt, Debt & Financial Services Administrator

Recorder:
Loretta Brown, Finance Department

I. Call to Order:
Patti Phillips, Board Chair welcomed everyone and called the meeting to order at 11:30am.

II. Review of Minutes:
The Board reviewed the minutes of December 10, 2012 and the minutes of March 15, 2013. Farrell Hanzaker made a motion to approve both sets of minutes. Regina Hilliard seconded the motion, which was approved by unanimous vote. Mr. Brunke noted that he was not present at the March 15th meeting.

III. Audit Issues, Patti Phillips
1. Patti shared that Cherry Bekaert (CB) had encountered some problems in obtaining revenue sharing information during its first audit of the Plan. She explained that CB's original audit fee was $25,495/year, but because of the timing of the RFP and contract award, we decided to have CB audit two years at once. CB agreed to lower the price for those two years to $47,540 instead of the $50,990 that the contract allowed for. Patti indicated that because of the unexpected problems and the additional hours incurred, CB has requested a payment of $47,760 for the two-year audit. She added that the requested increase is still lower than the contract amount. Regina Hilliard made a motion to authorize payment of $47,760 for the completed two-year audit. Farrell Hanzaker seconded the motion, which was approved by a unanimous vote.
Deferred Compensation Board Meeting
Minutes – Page 2
March 26, 2013

2. Patti noted that the problems CB encountered have been resolved and that the audit of Plan Year 2012 needs to be performed. Rod pointed out that the contract with CB is written for a one year term with up to four renewals. Regina Hilliard made a motion to authorize a renewal of the contract with Cherry Bekaert LLP for Plan Year 2012 at the original contract price of $25,495. Terry Jenkins seconded the motion, which was approved by unanimous vote.

IV. Performance Report, Patti Phillips
Patti reported that Frank Picarelli recommended at the March 26th meeting that Templeton World Fund be taken off the watch list because the fund has shown improvement over all time periods, specifically its 3 and 5 year periods. Terry Jenkins made a motion to remove Templeton World Fund from the watch list. Regina Hilliard seconded the motion, which was approved by unanimous vote.

V. Future Agenda Items:
- Review of Account Analysis
- Sensitivity Discussion
- Annual Year End Review

VI. Time and Date of the Next Meeting:
The next meeting is scheduled for Thursday, June 13 from 1:00 – 2:30pm and will be held in the City Manager’s conference room 234.

VII. Adjournment:
The meeting was adjourned at 11:40am.

Submitted by David Hartzog, Payroll Administrator
Date

Approved by Chairperson, Patricia A. Phillips
Date
Deferred Compensation Board Meeting
Minutes – March 15, 2013 - 3:00 – 5:00
City Manager's Conference Room 234

Board members:
John Moss, Council Liaison - absent
Bill Brunke, School Board Liaison - absent
Patti Phillips (Chair), Director of Finance
Farrell Hanzaker, Chief Financial Officers/Schools - absent
Regina Hilliard, Director of Human Resources
Terry Jenkins, City of Virginia Beach Retiree - absent
Linda Matkins, Director of Benefits
David Hartzog, Payroll Administrator
Ken Stolle, Sheriff/High Constable - absent

Great-West Representative:
Al Calvo
Al Cunningham, joined by teleconference
Steve Wright

Segal Rogerscasey Advisors, Inc.:
Frank Picarelli

Other City/Schools Staff:
Rod Ingram, Associate City Attorney
Nancy Leavitt, Debt & Financial Services Administrator

Recorder:
Loretta Brown, Finance Department

I. Call to Order:
Patti Phillips, Board Chair welcomed everyone and called the meeting to order at 3pm and then provided a brief review of the agenda.

II. Review of Minutes:
The approval of the December 2012 minutes was deferred because a quorum was not present.

III. Audit Update, Patti Phillips
Patti shared that due to the fact that this was the first audit of the Plan, Cherry Bekaert & Holland (CBH) encountered some problems in obtaining the necessary data. Some of these issues were reported in the June 2012 Deferred Compensation Board meeting minutes. Patti reported that CBH incurred an additional 225 hours to complete the audit. Rod added that:

[continued text]
Deferred Compensation Board Meeting
Minutes – Page 2
March 15, 2013

- The audit contract awarded to CBH provides that the annual audit fee will be $25,495.
- Because of the timing of the RFP and contract award, we decided to have CBH do two years at once, and, because of anticipated cost savings in doing two years at once, CBH agreed to lower the price for those two years to $47,540 (instead of $50,900 as provided for in the contract), for a fee reduction of 6.7%. We hoped we might realize even more savings beyond the 6.7% fee reduction, but CBH encountered several unexpected problems.
- CBH has requested a payment of $47,760 for the two-year audit they performed. That amount is lower than the contract price for two years, which is $50,900.

Patti pointed out that the problems encountered have been resolved and that there is now a process in place for the next audit. She asked the board to authorize a renewal of the contract to audit the Plan Year 2012. The contract authorizes annual contract extensions, for a total of up to five years. This will be the first renewal.

Rod recommended that the following motions be made when a quorum is present:

1. Authorize payment of $47,760 for the completed two-year audit.
2. Authorize a renewal of the contract for Plan Year 2012 at the original contract price of $25,495.

If the board approves both motions, staff will (1) modify the contract to reflect the change in cost for the two-year audit; and (2) execute an annual contract renewal which will expire on November 16, 2013.

IV. Fund Recap 2012, Al Calvo

<table>
<thead>
<tr>
<th></th>
<th>City 457</th>
<th>Schools 457</th>
<th>Sheriff 401A</th>
</tr>
</thead>
<tbody>
<tr>
<td>Grand Total Plan Assets</td>
<td>$186,605,957</td>
<td>$14,811,714</td>
<td>$3.76M</td>
</tr>
<tr>
<td>General Account Balance</td>
<td>$198,785</td>
<td>$13,570</td>
<td>$3,149</td>
</tr>
<tr>
<td>Payroll Contributions</td>
<td>$10,040,888</td>
<td>$1,373,094</td>
<td>*</td>
</tr>
<tr>
<td>Incoming Rollovers</td>
<td>$5,082,167</td>
<td>$322,528</td>
<td>*</td>
</tr>
<tr>
<td>Participant Distributions</td>
<td>$10,017,942</td>
<td>$890,501</td>
<td></td>
</tr>
<tr>
<td>Defined Benefits Service</td>
<td></td>
<td></td>
<td>*</td>
</tr>
<tr>
<td>Credits to VRS</td>
<td>$110,659</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Total Participants</td>
<td>5,558</td>
<td>585</td>
<td>519</td>
</tr>
</tbody>
</table>

*Not Permitted By Plan
Deferred Compensation Board Meeting
Minutes – Page 3
March 15, 2013

Al commented that:
- There was a steady flow of participant contributions, just over $10M.
- There was over $5M in rollovers and $3.8M was directly attributable to PLOP
- Contributions and distributions are being made at the same rate and should be looked at closer to see where the distributions are going. This could be addressed in a preretirement class.

V. 2012 Activities Report, Al Calvo

<table>
<thead>
<tr>
<th>City of Va. Beach</th>
<th>Va. Beach City Public Schools</th>
</tr>
</thead>
<tbody>
<tr>
<td>72 Presentations</td>
<td>1 Presentation</td>
</tr>
<tr>
<td>2,412 Attendees</td>
<td>3 Attendees</td>
</tr>
<tr>
<td>971 Appointments</td>
<td>130 Appointments</td>
</tr>
<tr>
<td>149 New Enrollments</td>
<td>46 New Enrollments</td>
</tr>
</tbody>
</table>

VI. Participation Statistics as of 9/30/12, Al Calvo

<table>
<thead>
<tr>
<th></th>
<th>City 457</th>
<th>Schools 457</th>
<th>Sheriff 401A</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Participants with a Balance (All Current &amp; Former Employees)</td>
<td>5,558</td>
<td>585</td>
<td>519</td>
</tr>
<tr>
<td>Total Current Participants with a Balance (Currently Employed)</td>
<td>4,051</td>
<td>432</td>
<td>429</td>
</tr>
<tr>
<td>Total Contributing Participants (Current Employees Making Payroll Contributions)</td>
<td>3,355</td>
<td>333</td>
<td>*</td>
</tr>
</tbody>
</table>

*The Sheriff’s plan does not allow for employee contributions.

AI provided two new Participation reports: 1) Participation by Department, and 2) Participation by Salary Range. AI commented that these new reports will help provide a clearer picture of where to focus his educational/marketing efforts. For example, the participation by department report revealed that Parks & Recreation, Public Works, and Public Utilities are potential departments to make contact with in regard to increasing participation. Also the participation report by salary range revealed that the low salary ranges did not have as high participation as the mid salary range employees.

VII. Plan Review, Al Calvo

AI provided a short Plan Review for the reporting period ending December 31, 2012 (the full report was provided to the Board). AI included a new chart in the annual plan review entitled, “Asset Allocation by Age.” Patti directed AI to include this report on a regular basis.
In addition, Al reviewed the plan utilization page which included data on both the participation rate and the average defined contribution plan participation rate for eligible employees. The City of Virginia Beach Deferred Compensation Plan’s participation rate is 25.10%. Al pointed out that the participation rate is skewed because it is based on the number of eligible employees, which is an inflated number because it includes part-time employees. Following a long discussion about the Plan’s participation rate, Patti asked Al to determine the employee participation rate, excluding the part time employees.

VIII. General Account Update/Deposits/Withdrawals to the General Account for the 4th Quarter of 2012, Al Calvo

- General Account Report – This report provides general account information for the City, Schools and Sheriff’s Plans. It reported beginning balances, deposits, withdrawals, accrued interest and ending balances. (Ending Balances – City $198,785.35; Schools, $13,570.05; Sheriff, $3,149.20.)

- Deposits to the General Account Report – This report provided the amounts contractually due, plus the surplus in quarterly fees deposited across all 3 plans. The total deposit was $14,298.69.

- Withdrawals to the General Account Report – This report provided the withdrawal amounts from all 3 Plans for the 4th Quarter of 2012. The total withdrawals were $8,750.01.

IX. Quarterly Fee Reconciliation Review, Al Calvo

Below are highlights of Al’s review:

- According to the contract Great-West earns 6.25 basis points on average plan assets each quarter, any surplus is prorated between all 3 Plans, based on the size of the assets in the Plans. There was a revenue surplus of $1,922.16 which was allocated as follows:
  - City, $1,748.69
  - Sheriff, $34.64
  - Schools, $138.83

- Quarterly contractual revenue share of $12,500 was deposited into the following Plans:
  - City, $11,371.90
  - Sheriff, $225.28
  - Schools - $902.82

- Annual Reconciliation for 2012 - The average revenue to Great West per participant was $79.48 which is less than the average $80.00 annual contractual maximum revenue per account.
X. **Stable Value Fund Annual Review, Al Cunningham (by teleconference)**

Al presented an overview of the stable value fund, below are highlights of his review: (the full report was included in the agenda package).

- SVF is being managed within policy
- Fund receives all investment performance of the fund less fees of 0.40% (.20% returned to the plan)
- Securities issued by U.S. government and agencies
- Commercial Bank Securities with FDIC guarantees
- Fund is positioned for a very gradual increase in rates
- Historical returns are above market rates
- Average duration of investments is 2.8 years
- Current market value to book value is 103.4%
- All securities are rated AAA (Moody's)
- 1st quarter credited rate was 2.36%

XI. **Financial Market Conditions, Frank Picarelli**

Frank provided a brief review of the financial market conditions for the 4th quarter of 2012 (full report was provided in the agenda package).

XII. **Performance Report, Frank Picarelli**

Frank provided the fund performance review for the period of October 1, 2012 through December 31, 2012. (the complete detailed report was provided). The ending balances are as follows:

1) City’s Plan $186.4 million,  
2) Sheriff’s Plan $3.6 million  
3) School’s Plan $14.8 million.

Frank also reviewed the Segal Rogerscasey scorecard and the watch list report. The following funds were listed on the watch list report: Janus Forty, Heartland Value Fund, Mutual Shares Fund, American Funds Growth Fund of America and Templeton World Fund.

Frank recommended that Templeton World Fund be taken off the watch list because the fund has shown improvement over all time periods, specifically its 3 and 5 year periods. The decision to remove this fund from watch list was deferred until a quorum is present.
XIII. **VML/VACo OPEB Update, Patti Phillips**

Patti provided a brief overview of the City/Schools VACo/VML OPEB Trust report. The report outlined the activities of the Pooled Trust since June 2008 and showed that the City and Schools have a combined market value of $46.6 million as of January 2013. Included for the Deferred Compensation Board’s review were copies of: 1) Portfolio I’s Rates of Return Summary & Universe Rankings, 2) the Total Portfolio Summary – report period 6/1/08 – 12/31/12, and 3) the minutes of the December 7, 2012 Board of Trustees meeting.

XIV. **Future Agenda Items:**
- Review of Account Analysis
- Sensitivity Discussion
- Annual Year End Review

XV. **Time and Date of the Next Meeting:**
The next meeting will be scheduled later.

Submitted by David Hartzog, Payroll Administrator

Approved by Chairperson, Patricia A. Phillips
I. Call to Order:
Patti Phillips, Board Chair welcomed everyone and called the meeting to order at 3pm and then provided a brief review of the agenda.

II. Review of Minutes:
A motion was made to approve the minutes of September 10, 2012. The motion was seconded and passed by consensus.

III. Audit Update, Peter Alfele, Partner - Cherry, Bekaert and Holland (CBH)
Mr. Alfele provided a draft of the 2010-2011 Agreed-Upon Procedures Audit for the City/Schools and Sheriff’s Plan. The draft included a schedule listing the Agreed-Upon Procedure and the Procedure Details and Findings. Mr. Alfele pointed out that the comments listed under Findings were mentioned only to help strengthen internal controls in operating efficiencies. He commented on two items in the schedule, they were:
Deferred Compensation Board Meeting
Minutes – Page 2
December 10, 2012

1) **The hardship withdrawal requests process.** CBH in their audit report for the City of Virginia Deferred Compensation Plan noted that there were 3 instances with the Schools where the backup for a hardship withdrawal request was not with the employee file, but was being held by Great West. CBH recommended that this backup be kept with the employee file. This caused some confusion at the meeting because it was interpreted to mean the backup was to be kept in the employee’s employment file with Human Resources.

[ADDENDUM JANUARY 24, 2013]
For clarification, the backup for hardship withdrawals for the City is kept in the Payroll Office and the backup for the Schools is kept in the employee benefit file – both places where the confidentiality of the files is protected. CBH’s recommendation was to keep the hardship backup with the employee’s benefit file.

2) **The reconciliation and review of remittances.** CBH noted in their audit report that at present, a reconciliation of employee contribution remittances that have been submitted to the record keeper is not being performed on a regular basis. Subsequent to the audit a process was implemented to perform these reconciliations and spot checks.

* A motion was made by Councilman Moss to accept CBH’s report pending the modifications to the comments in regards to the hardship withdrawal documentation privacy concerns. Terry Jenkins seconded the motion, which was approved by a unanimous vote. [See addendum above dated January 24, 2013 for clarification and resolution of this issue]

Mr. Alfele distributed the final financial audits for the City/Schools and Sheriff’s Deferred Compensation Plans which addressed the Board’s concerns and comments from their previous meeting.

IV. **Fiduciary Responsibilities, Rod Ingram**
Rod provided an overview of the board’s fiduciary responsibilities. He noted that the Plan’s fiduciaries included: 1) deferred compensation Board members, 2) Great-West and, 3) the Administrator (Sheriff) and the Trustees of the Sheriff’s Plan. He said that we often look to ERISA for best practices and regulations. Rod also noted that the Plan relies on outside counsel when needed.
V. Fund Recap 2012, Al Calvo

<table>
<thead>
<tr>
<th></th>
<th>City 457</th>
<th>Schools 457</th>
<th>Sheriff 401A</th>
</tr>
</thead>
<tbody>
<tr>
<td>Grand Total Plan Assets</td>
<td>$183,637,407</td>
<td>$14,632,464</td>
<td>$3.66M</td>
</tr>
<tr>
<td>General Account Balance</td>
<td>$192,568</td>
<td>$13,095</td>
<td>$3,026</td>
</tr>
<tr>
<td>Payroll Contributions</td>
<td>$7,663,081</td>
<td>$1,114,141</td>
<td>*</td>
</tr>
<tr>
<td>Incoming Rollovers</td>
<td>$4,160,003</td>
<td>$322,528</td>
<td>*</td>
</tr>
<tr>
<td>Participant Distributions</td>
<td>$7,288,190</td>
<td>$604,944</td>
<td>*</td>
</tr>
<tr>
<td>Defined Benefits Service Credits to VRS</td>
<td>$0</td>
<td>$0</td>
<td>*</td>
</tr>
<tr>
<td>Total Participants</td>
<td>5,518</td>
<td>569</td>
<td>509</td>
</tr>
</tbody>
</table>

*Not Permitted By Plan

Al commented that:
- He has seen a reduction for both hardship requests and withdrawals
- Additional customer service representatives will be available to answer questions about the “fiscal cliff”.

VI. 2012 Activities Report, Al Calvo

<table>
<thead>
<tr>
<th>City of Va. Beach</th>
<th>Va. Beach City Public Schools</th>
</tr>
</thead>
<tbody>
<tr>
<td>54 Presentations</td>
<td>1 Presentation</td>
</tr>
<tr>
<td>2,103 Attendees</td>
<td>3 Attendees</td>
</tr>
<tr>
<td>754 Appointments</td>
<td>102 Appointments</td>
</tr>
<tr>
<td>112 New Enrollments</td>
<td>32 New Enrollments</td>
</tr>
</tbody>
</table>

VII. Participation Statistics as of 9/30/12, Al Calvo

<table>
<thead>
<tr>
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<th>City 457</th>
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<tbody>
<tr>
<td>Total Participants with a Balance (All Current &amp; Former Employees)</td>
<td>5,518</td>
<td>569</td>
<td>516</td>
</tr>
<tr>
<td>Total Current Participants with a Balance (Currently Employed)</td>
<td>4,445</td>
<td>422</td>
<td>412</td>
</tr>
<tr>
<td>Total Contributing Participants (Current Employees Making Payroll Contributions)</td>
<td>3,372</td>
<td>319</td>
<td>*</td>
</tr>
</tbody>
</table>

*Since the Sheriff’s plan does not allow for employee contributions, there are no employees making a payroll deduction to the plan.

Councilman Moss asked to see statistics on the number of currently employed participants who are not currently contributing. He pointed out that this information could assist with a communication/education strategy. Patti indicated that she would meet with Al to discuss the best way to obtain this information.
VIII. General Account Update/Deposits/Withdrawals to the General Account through September 30, 2012, Al Calvo

- **General Account Report** – This report provides general account information for the City, Schools and Sheriff’s Plans. It reported beginning balances, deposits, withdrawals, accrued interest and ending balances. *(Ending Balances – City $192,568.83; Schools, $13,095.15; Sheriff, $3,025.72.)*

- **Deposits to the General Account Report** – This report provided the amounts contractually due. The total deposit was $12,500.

- **Withdrawals to the General Account Report** – This report provided the withdrawal amounts from all 3 Plans through 9/30/12. The total amount withdrawn through September 30, 2012 was $9,940.26.

IX. Quarterly Fee Reconciliation Review, Al Calvo

Below are highlights of Al’s review:

- According to the contract, Great-West earns 6.25 basis points on average plan assets **each quarter**, any revenue surplus is prorated between all 3 Plans, based on the size of the assets in the Plans. The contractual fees due to Great West this quarter was $123,599.23. The total fees received this quarter were $127,308.00, resulting in a $3,708.68 surplus. Al pointed out that a revenue deficit amount was carried forward from the last quarter which will offset the surplus. As a result of the offset, a total of $1,789.69 will be distributed across all 3 Plans based on the size of the accounts.

- Quarterly contractual revenue share of $12,500 was deposited into the following Plans:
  - City, $11,359.75
  - Sheriff, $231.84
  - Schools - $908.41

X. Stable Value Fund, Al Calvo

Highlights of Al’s report on the SVF are listed below: *(the complete report was included in the agenda package.)*

- SVF is being managed within the Investment Policy
- Securities are Triple A rated
- Market to Book value is more than 100%
- 2.45% was the credited rate to participants for the 4th quarter
XI. Financial Market Conditions, Frank Picarelli
Frank provided a brief review of the financial market conditions for the third quarter of 2012 (full report was provided in the agenda package).

XII. Performance Report, Frank Picarelli
Frank provided the fund performance review for the period of July 2012 through September 30, 2012. (the complete detailed report was provided). The ending balances are as follows:
1) City’s Plan $183.6 million
2) Sheriff’s Plan $3.6 million
3) School’s Plan $14.6 million.

Frank also reviewed the Segal Rogerscasey scorecard and the watch list report. The Board discussed the watch list reporting process, including adding and removing funds. Rod advised Frank that before he adds a fund to the watch list he needs to first determine if the fund meets the Investment Policy’s criteria for placement on the watch list. Next the Board needs to vote on whether or not to place the fund on the watch list. Rod also advised Frank that the Board needs to be alerted when funds are doing well. For example, if there are funds on the watch list that no longer meet the IPS’ criteria, but have returned to good standing, the board needs to vote on whether or not to remove those funds from the watch list.

The following funds were listed on the watch list report and will remain on the watch list: Heartland Value Fund, Mutual Shares Fund, American Funds Growth Fund of America and Templeton World Fund.

Frank recommended that Janus Forty be added to the Watch List because the fund has not met the criteria outlined in the IPS. Patti made a motion to place Janus Forty on the Watch List. Terry Jenkins seconded the motion, which was approved by a unanimous vote.

XIII. General Account Review, Patti Phillips
Patti reported there was more than $100,000 in the General Account. She asked the Board for recommendations on the use of these funds. Frank reminded the Board that funds from the General Account should be used for the benefit of the plan participants. Board recommendations included:

- Pay for Vendor searches
- Give each participant $5.00
- Obtain cheaper share class management fees
- Pay for a compliance audit
- Attend NAGDA conferences (board education)
- Provide Participant Educational Programs
Mr. Moss requested that a sensitivity analyses be conducted to help determine how many employees are invested in the Stable Value Fund by department, and also possibly by job classification. This could help in tailoring an educational program.

Also, if there were a 5% shift away from the SVF and instead an increase in non-revenue sharing funds, how would that translate in the total revenue sharing. Mr. Moss noted that our goal is to act in the best interest of the participant and added that based on our assessment it is in the best interest of the participant to have a better diversification of risk.

Frank commented that a lot of Plans are moving away from revenue sharing, and instead going to the lowest possible fund with no revenue sharing, with explicit fees. He added that it is a more transparent approach and has been discussed at NAGDA.

XIV. VML/VACO OPEB Update, Patti Phillips
1. Patti provided a brief overview of the City/Schools VACo/VMl OPEB Trust report. The report outlined the activities of the Pooled Trust since June 2008 and showed that the City and Schools have a combined market value of $44.5 million as of October 2012. Included for the Deferred Compensation Board's review were copies of: 1) Portfolio I's Rates of Return Summary & Universe Rankings, 2) the minutes of October 26, 2012 OPEB Annual Board meeting, and 3) the minutes of the October 26, 2012 Board of Trustees meeting.

2. Patti announced that she was reelected to serve on the VACo/VMl OPEB Board of Trustees

XV. Future Agenda Items:
- Review of Account Analysis
- Sensitivity Discussion
- Annual Year End Review

XVI. Time and Date of the Next Meeting:
The next meeting is scheduled for Friday, March 15, from 3-5:00pm in the City Hall Building, Room 234.
XVII. Adjournment:
The meeting was adjourned at 4:30.

Submitted by David Hartzog, Payroll Administrator

Approved by Chairperson, Patricia A. Phillips
Deferred Compensation Board Meeting
Minutes – September 10, 2012 - 10:00 – 11:30
City Manager’s Conference Room 234

Board members:
John Moss, Council Liaison - absent
Bill Brunke, School Board Liaison
Patti Phillips (Chair), Director of Finance
Farrell Hanzaker, Chief Financial Officers/Schools
Regina Hilliard, Director of Human Resources
Terry Jenkins, City of Virginia Beach Retiree
Linda Mathews, Director of Benefits
David Hartzog, Payroll Administrator
Ken Stolle, Sheriff/High Constable - absent

Great-West Representative:
Al Calvo

Segal Rogerscasey Advisors, Inc.:
Frank Picarelli

Cherry, Bekaert & Holland
Peter Alfrede, Partner and Heather Okenka, Senior Accountant

Other City/Schools Staff:
Dana Harney, Associate City Attorney
Nancy Leavitt, Debt & Financial Services Administrator
Susan Scofield, City Schools

Recorder:
Loretta Brown, Finance Department

I. Call to Order:
Patti Phillips, Board Chair welcomed everyone and called the meeting to order at 2pm and then provided a brief review of the agenda. [Mr. Moss was absent because he was a witness in a court case this afternoon]

II. Review of Minutes:
Terry Jenkins made a motion to approve the minutes of June 20, 2012. Bill Brunke seconded the motion. The motion passed by consensus.

III. Audit Update, Cherry, Bekaert and Holland
Patti introduced representatives from Cherry, Bekaert and Holland (CBH): Peter Alfrede, Partner and Heather Okenka, Senior Account. They were present to provide a review of the 2010-2011 Financial statements for the City/Schools and Sheriff’s Plans. Peter announced that CBH has been engaged to conduct a special procedures audit of the General Account. He noted that this was the first audit of the Deferred Compensation Plan.
Peter reported that the audit is 90% complete and that CBH is working with Great West to complete the last task of the agreed upon procedures. Both the Deferred Compensation Plan and Sheriff’s Supplemental Retirement Plan received an unqualified opinion, which is a “clean” opinion.

**Peter's review of the financial statements focused on the following:**
- Independent Auditor’s Report (City of Virginia Beach Deferred Compensation Plan received an unqualified opinion.)
- Statements of Plan Net Assets (at December 31, 2011 the Plan had Net Assets of $179 million)
- Statements of Changes in Plan Net Assets (Beginning of year 2011 Plan Net Assets were $172 million, End of Year 2011 Plan Net Assets were $179 million)
- Notes to Financial Statement (notes on: 1) Description of the Plan, 2) Summary of significant accounting policies, 3) Concentrations, 4) Deposits & Investments and 5) Revenue Sharing Fee Agreement
- Internal Auditor’s Report on Internal Control ... (details on page 10)

The Board discussed and provided input on the financial statements. Peter will update the financial statements for both the City/Schools & Sheriff’s Plans based on the board’s input.

**IV. Payments from the General Account, Patti Phillips**
Patti reported that the Sheriff has received an invoice for legal services associated with an update to the sheriff’s plan. In the past, the Sheriff has paid similar bills from his own budget (copies of bills from 2011 were included in the Board package as examples). Because this invoice was for legal work required to insure the sheriff’s plan was in compliance with federal tax laws, Patti recommended that payment be made from the General Account for that invoice. **Farrell Hanzaker made a motion to approve the payment of $990.00. The motion was seconded by David Hartzog and was approved by consensus.**

Dana Harmeyer informed the board that the initial motion was in reference to a past year’s invoice and the current invoice is $1,190.25 not $990.00. He then suggested the Board make a new motion to correct the previous amount approved by the previous board action. **Terry Jenkins made a motion to amend the motion to approve the payment of $1190.25. The motion was seconded by Farrell Hanzaker and was approved by consensus.**
V. Fund Recap 2012, Al Calvo

<table>
<thead>
<tr>
<th></th>
<th>City</th>
<th>Schools</th>
<th>Sheriff</th>
</tr>
</thead>
<tbody>
<tr>
<td>Grand Total Plan Assets</td>
<td>$176,121,946</td>
<td>$14,081,697</td>
<td>3.59M</td>
</tr>
<tr>
<td>General Account Balance</td>
<td>$187,877</td>
<td>$12,736</td>
<td>$4,119.49</td>
</tr>
<tr>
<td>Payroll Contributions</td>
<td>$5,053,152</td>
<td>$725,914</td>
<td>*</td>
</tr>
<tr>
<td>Incoming Rollovers</td>
<td>$2,571,759</td>
<td>$110,943</td>
<td>*</td>
</tr>
<tr>
<td>Participant Distributions</td>
<td>$4,953,536</td>
<td>$145,426</td>
<td>*</td>
</tr>
<tr>
<td>Defined Benefits Service</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Credits to VRS</td>
<td>0</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td>Total Participants</td>
<td>5,588</td>
<td>5559</td>
<td>511</td>
</tr>
</tbody>
</table>

*Not Permitted By Plan

VI. 2012 Activities Report, Al Calvo

<table>
<thead>
<tr>
<th>City of Va. Beach</th>
<th>Va. Beach City Public Schools</th>
</tr>
</thead>
<tbody>
<tr>
<td>35 Presentations</td>
<td>0 Presentation</td>
</tr>
<tr>
<td>1,825 Attendees</td>
<td>0 Attendees</td>
</tr>
<tr>
<td>498 Appointments</td>
<td>29 Appointments</td>
</tr>
<tr>
<td>74 New Enrollments</td>
<td>22 New Enrollments</td>
</tr>
</tbody>
</table>

VII. Participation Statistics as if 6/30/12, Al Calvo

<table>
<thead>
<tr>
<th></th>
<th>City</th>
<th>Schools</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Participants with a Balance (All Current &amp; Former Employees)</td>
<td>5,477</td>
<td>559</td>
</tr>
<tr>
<td>Total Current Participants with a Balance (Currently Employed)</td>
<td>4,491</td>
<td>423</td>
</tr>
<tr>
<td>Total Contributing Participants (Current Employees Making Payroll Contributions)</td>
<td>3,373</td>
<td>319</td>
</tr>
</tbody>
</table>
VIII. General Account Update/Deposits/Withdrawals to the General Account for the 4th Quarter, Al Calvo

- **General Account Report** – This report provided general account information for the City, Schools and Sheriff’s Plans. It reported beginning balances, deposits, withdrawals, accrued interest and ending balances. (Ending Balances—City $187,877.85; Schools, $12,736.78; Sheriff, $4,118.49.)

- **Deposits to the General Account Report** – This report provided the amounts contractually due, plus the surplus in quarterly fees deposited across all 3 plans. The total deposit was $12,500.00.

- **Withdrawals to the General Account Report** – This report provided the amount of withdrawals from all 3 Plans. The total withdrawal amount was $8,750.01.

IX. Quarterly Fee Reconciliation Review, Al Calvo

Below are highlights of Al’s review:

- According to the contract, Great-West earns 6.25 basis points on average plan assets *each quarter*, any revenue surplus is prorated between all 3 Plans, based on the size of the assets in the Plans. Al reported that there was not a revenue surplus because Franklin-Templeton’s payment was received after the quarter closed. Total fees received were $119,573.34 ($1,811.00 less than what Great-West was contractually due). As stated in the contract, Great-West will carry forward the revenue deficit amount to the following quarters and allow the deficit to be offset by any future surpluses.

- Quarterly contractual revenue share of $12,500 was deposited into the following Plans:
  - City, $11,359.75
  - Sheriff, $231.84
  - Schools - $908.41

X. Great-West Web Site Improvement, Al Calvo:

Al announced that Great-West’s new Web site layout is now live for participant use. He provided a “hands-on” demonstration of the new site. During his demonstration he explained the 3 levels of investment services that are available, they are:

1) Guidance, no charge to participant
2) Advice, $25/year to participant
3) Managed Accounts, participant is charged 0.60% of their account balance per year

Al noted that City employees can make contribution changes online. He noted that in order for an employee of Virginia Beach Schools (VBS) to be able to make contribution changes online, the VBS would need to transmit their entire employee census data to Great-West each payday, which is what the City does. Currently, the VBS only sends Great-West a data file of employees who have a Deferred Compensation account. In the
future, the VBS can revise their data file to include their full employee roster, which would then give their employees the ability to make their contribution changes online.

XI. Use of General Account, Patti Phillips
This discussion was tabled for the next meeting.

XII. Financial Market Conditions, Frank Picarelli
Frank provided a brief review of the financial market conditions for the second quarter of 2012 (full report was provided in the agenda package)

XIII. Performance Report, Frank Picarelli
Following Frank’s Fund Performance review, the following actions were taken (detailed report provided in the agenda package):

1. Heartland Value Fund – Frank made a recommendation to add Heartland Value Fund to the Watch List for its underperformance over the 3 and 5 year periods. 
   Patti Phillips made a motion to place Heartland Value Fund on the Watch List. The motion was seconded by Farrell Hanzaker and approved by consensus.

2. Mutual Shares Fund – will remain on the Watch List. (Frank noted that Mutual Shares Fund was inadvertently left off the Watch List Report).

3. American Funds Growth Fund of America and Templeton World Fund – will remain on the Watch List.

XIV. Large Cap Growth Mutual Fund Search, Frank Picarelli
Frank provided a report which included additional information on Large Cap Growth Mutual searches to replace American Funds Growth Fund of America. The report provided detailed information on the following: 1) MFS Massachusetts Investor Growth, 2) Janus Forty, 3) T. Rowe Price, and 4) Fidelity Contrafund. The report identified opportunities to reduce fund management fees and preserve the revenue sharing impact related to fund search alternatives to the American Growth Fund of America in the large cap asset class. The consensus among board members was to take no action at this time to: terminate, replace or add any investment option. The board will continue to monitor funds that are on the watch list.
Deferred Compensation Board Meeting
Minutes – Page 6
September 10, 2012

XV. Stable Value Fund, Al Calvo
Al submitted a report on the Stable Value Fund for the Quarter as of June 30, 2012 for the board’s review. (the full reported was included in the agenda package).

- SVF is being managed within policy
- Average duration of investments is 2.5 years
- Current market value to book value is 103.9%
- 2nd quarter credited rate was set at 3.00%
- 3rd quarter credited rate will be set at 2.75%

Al announced that Deloitte & Touche conducted an audit of the Stable Value Fund and that the SVF received an unqualified opinion, which is a “clean” opinion. (the audit was included in the agenda package)

XVI. VML/VACo OPEB Update, Patti Phillips
1. Patti provided a brief overview of the City/Schools VACo/VML OPEB Trust report. The report outlined the activities of the Pooled Trust since June 2008 and showed that the City and Schools have a combined market value of $43.2 million as of July 2012. Copies of Portfolio I and Portfolio II and the minutes of June 14-15, 2012 OPEB Board meetings were also submitted for the Deferred Compensation Board’s review.

2. Patti announced that her term on the VACo/VML OPEB Board is scheduled to expire in October. She said that the Deferred Compensation Board (which serves as the Local Finance Board) may nominate someone to serve on the Board of Trustees for the next term. Patti then asked if any member of the Deferred Compensation Board was interested in serving on the OPEB Board. She noted that nominations for Board of Trustee must be submitted no later than Thursday, October 4, 2012. *Linda Matkins made a motion to nominate Patti Phillips to serve on the VACo/VML OPEB Board. The motion was seconded by Regina Hilliard and passed by consensus.*

XVII. Future Agenda Items:
- Review of Segal’s Analysis
- Discuss Secure Foundation
- Revisit ROTH Contribution
- Funds Review
- Investment Performance Review
 Deferred Compensation Board Meeting
Minutes – Page 7
September 10, 2012

XVIII. Time and Date of the Next Meeting:
The next meeting is scheduled for December 10, from 3-5:00pm in the City Hall Building, Room 234.

XIX. Adjournment:
The meeting was adjourned at Noon.

______________________________  ____________________________
David Hartzog, Payroll Administrator  12/20/12

Submitted by David Hartzog, Payroll Administrator

______________________________  ____________________________
Patricia A. Phillips  Dec 18 2012

Approved by Chairperson, Patricia A. Phillips

______________________________  ____________________________
Date  Date
Deferred Compensation Board Meeting  
Minutes – June 20, 2012 - 10:00 – 11:30  
City Manager’s Conference Room 234

Board members:  
John Moss, Council Liaison  
Bill Brunke, School Board Liaison  
Patti Phillips (Chair), Director of Finance  
Farrell Hanzaker, Chief Financial Officers/Schools - absent  
Regina Hilliard, Director of Human Resources  
Terry Jenkins, City of Virginia Beach Retiree  
Linda Matkins, Director of Benefits  
David Hartzog, Payroll Administrator  
Beverly Spencer, Employee Relations Manager – absent  
Ken Stolle, Sheriff /High Constable - absent

Great-West Representative:  
Al Calvo

Segal Rogerscasey Advisors, Inc.:  
Frank Picarelli & Karissa Genovese – joined by teleconference

Other City/Schools Staff:  
Rod Ingram, Deputy City Attorney  
Nancy Leavitt, Debt & Financial Services Administrator  
Susan Scofield, City Schools

Recorder:  
Loretta Brown, Finance

I. Call to Order:  
Patti Phillips, Board Chair welcomed everyone and called the meeting to order at 10:00am.

II. Review of Minutes:  
A motion was made to adopt the minutes of March 31, 2012. The motion was seconded and approved by consensus. Terry Jenkins abstained from voting because she was not present at the March 2012 meeting.

III. Audit Update, Patti Phillips  
Patti reported that Cherry, Bekaert & Holland’s original audit approach included sending out letters to 58 participants to verify their transaction and distribution information. She indicated that based on discussions with one of the City’s auditors, the Plan’s Investment Advisor, and Great-West representatives, it was decided that a better approach would be to obtain screen shots of electronic authorizations. Patti explained that screen shots can only be made with participants’ PIN numbers. Al added that federal regulations mandate that recordkeepers provide written documentation to participants within 7-10 days on transactions they have authorized.
IV. Fund Recap 1st Quarter 2012, Al Calvo

<table>
<thead>
<tr>
<th></th>
<th>City</th>
<th>Schools</th>
<th>Sheriff</th>
</tr>
</thead>
<tbody>
<tr>
<td>Grand Total Plan Assets</td>
<td>$177,479,067</td>
<td>$13,897,405</td>
<td>$3.65M</td>
</tr>
<tr>
<td>Current General Account Balance</td>
<td>$183,115</td>
<td>$12,382</td>
<td>$3,803.37</td>
</tr>
<tr>
<td>Payroll Contributions</td>
<td>$2,658,306</td>
<td>$326,171</td>
<td></td>
</tr>
<tr>
<td>Incoming Rollovers</td>
<td>$1,760,777</td>
<td>$99,148</td>
<td></td>
</tr>
<tr>
<td>Participant Distributions</td>
<td>$3,239,271</td>
<td>$100,634</td>
<td></td>
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<tr>
<td>Defined Benefits Service</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Credits to VRS</td>
<td>$0</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total Participants</td>
<td>5,588</td>
<td>546</td>
<td>512</td>
</tr>
</tbody>
</table>

*Not Permitted By Plan

Al commented that:
- City's incoming Rollovers totaled $1.76 million, which was due to the Partial Lump-Sum Option Payment (PLOP). Al gave a brief explanation of the PLOP program.
- City's Plan had $3.2 million of withdrawals (due to retirees).
- Usually he sees a spike in distributions and payroll contributions in the 1st quarter.
- Typically we see more School Employees retiring July 1 because it is the end of the school year. We are starting to see more City Employees retiring July 1.
- We have not received a spike in hardship requests.

V. 2012 1st Quarter Activities Report, Al Calvo

<table>
<thead>
<tr>
<th>City of Va. Beach</th>
<th>Va. Beach City Public Schools</th>
</tr>
</thead>
<tbody>
<tr>
<td>6 Presentations</td>
<td>0 Presentation</td>
</tr>
<tr>
<td>164 Attendees</td>
<td>0 Attendees</td>
</tr>
<tr>
<td>252 Appointments</td>
<td>20 Appointments</td>
</tr>
<tr>
<td>35 New Enrollments</td>
<td>9 New Enrollments</td>
</tr>
</tbody>
</table>

VI. Participation Statistics
Al reviewed the participation statistics, which included: 1) the number of total participants with a balance was 5,467, 2) the total current participants with a balance was 4,535, and 3) the total contributing participants was 3,409. Councilman Moss asked why the number of total participants with a balance differed from the total number of current participants with a balance. Patti asked Al to provide trend information to further explain the participation statistics. Al responded that he would provide that information and noted that the Plan's participation is above average overall nationwide.
VII. General Account Update/Deposits/Withdrawals to the General Account for the 4th Quarter, Al Calvo

- **General Account Report** – This report provided general account information for the City, Schools and Sheriff’s Plans. It reported beginning balances, deposits, withdrawals, accrued interest and ending balances. *(Ending Balances – City $169,658.41; Schools, $11,533.79; Sheriff, $3,803.37.)*
- **Deposits to the General Account Report** – This report provided the amounts contractually due, plus the surplus in quarterly fees deposited across all 3 plans. The total deposit was $14,722.06.
- **Withdrawals to the General Account Report** – This report provided the amount of withdrawals from all 3 Plans. The total withdrawal amount was $8,750.01. Primarily withdraws were payments that were made to Segal Advisors.

VIII. Quarterly Fee Reconciliation Review, Al Calvo

Below are highlights of Al’s review:

- According to the contract Great-West earns 6.25 basis points on average plan assets *each quarter*, any revenue surplus is prorated between all 3 Plans, based on the size of the assets in the Plans. Al reported that for the first time there was not a revenue surplus. He explained that the reason this occurred was because Morgan-Stanley had batched and held their payments until after the quarter was ended. Total fees received were $117,774.10 (about $100 less than what Great-West was contractually due). As stated in the contract, Great-West will carry forward the revenue deficit amount to the following quarters and allow the deficit to be offset by any future surpluses.
- Quarterly contractual revenue share of $12,500 was deposited into the following Plans:
  - City, $11,374.76
  - Sheriff, $234.42
  - Schools - $890.82

IX. Great-West Web Site Improvement, Al Calvo:

Al announced that Great-West will be making changes to the format and layout of the participant’s Web site. He said that it will be more user-friendly and will have an “app” look and feel. Al noted that Great-West’s Web address will remain the same and that participants will not be required to change their PIN. Great-West anticipates a 60-90 day conversion period. These changes will be publicized in the beam, Member Update, and other publications.
Deferred Compensation Board Meeting
Minutes – Page 4
June 20, 2012

X. Use of General Account, Patti Phillips
Patti announced that the General Account had a balance of approximately $200,000 and pointed out that the only bill paid from this account was to Segal Rogerscasey. She asked the board for input in regard to using those funds. Patti suggested that some of the funds could be used to hire Segal Rogerscasey to conduct and manage the City's Deferred Compensation Board meetings. A concern was raised that if an outside firm managed this responsibility that there could be a loss of internal controls and a loss of hands-on knowledge.

Frank emphasized that the purpose of the general account was for the benefit of the Plan and Plan participants. He pointed out that the goal was to keep the weighted average in total overall expenses as low as possible for Plan participants. Patti asked Frank to provide more information on this issue for discussion at the next Board meeting. Frank indicated that he would be in contact with AI to obtain information to help him prepare his analysis.

XI. Financial Market Conditions, Frank Picarelli
Frank provided a brief review of the financial market conditions for the first quarter of 2012 (full report was provided in the agenda package)

XII. Performance Report, Frank Picarelli
Following Frank's Fund Performance review, the following actions were taken:
1. **Mutual Shares Fund** – was added to the Watch List for its underperformance over the 3 and 5 year periods. Linda Matkins made a motion to place Mutual Shares on the Watch List. The motion was seconded by Terry Jenkins and approved by consensus.
2. **American Funds Growth Fund of America** and **Templeton World Fund** – will remain on the Watch List. If the status of these funds changes, further action may be taken by the Board.
3. **American Century Equity Growth Fund** – was removed from the Watch List based on its 3 and 5 year performance.

XIII. Large Cap Growth Mutual Fund Search, Frank Picarelli
Frank submitted and reviewed the report on the Large Cap Growth Mutual Fund searches. The report provided detailed information on the following Large Cap Growth Funds: 1) MFS Massachusetts Investor Growth, 2) Janus Forty, 3) T. Rowe Price, and 4) Fidelity Contrafund. Following a lengthy discussion, Frank noted that he will conduct revenue analysis to identify opportunities to reduce fund management fees and present the revenue sharing impact related to fund search alternatives to the American Growth Fund of America in the large cap asset class. This discussion was tabled for the next meeting.
XIV. Stable Value Fund, Al Calvo
Al submitted a report on the Stable Value Fund for the Quarter as of March 31, 2012 for the board’s review. (the full reported was included in the agenda package).
- SVF is being managed within policy
- Average duration of investments is 2.5 years
- Current market value to book value is 103.6%
- 1st quarter credited rate was set at 3.10%
- 2nd quarter credited rate will be set at 3.0%

XV. VML/VACo OPEB Update, Patti Phillips
Patti provided a brief overview of the City/Schools VACo/VML OPEB Trust report. The report outlined the activities of the Pooled Trust since June 2008 and showed that the City and Schools have a combined market value of $37.7 million at May 31, 2012. Copies of Portfolio I and Portfolio II and the minutes of the April 20, 2012 OPEB Board meeting were also submitted for the Deferred Compensation Board’s review.

XVI. Future Agenda Items:
- Review of Segal’s Analysis
- Discuss Secure Foundation
- Revisit ROTH Contribution
- Funds Review
- Investment Performance Review

XVII. Time and Date of the Next Meeting:
The next meeting is scheduled for September 10, from 2-4:30pm in the City Hall Building, Room 234.

XVIII. Adjournment:
The meeting was adjourned at Noon.

Submitted by David Hartzog, Payroll Administrator

Approved by Chairperson, Patricia A. Phillips

Date
Deferred Compensation Board Meeting
Minutes - March 26, 2012 - 2:00 – 4:30pm
City Manager’s Conference Room 234

Board members:
John Moss, Council Liaison
Bill Brunke, School Board Liaison
Patti Phillips (Chair), Director of Finance
Farrell Hanzaker, Chief Financial Officers/Schools
Regina Hilliard, Director of Human Resources
Terry Jenkins, City of Virginia Beach Retiree - absent
Linda Matkins, Director of Benefits
David Hartzog, Payroll Administrator - absent
Beverly Spencer, Employee Relations Manager
Ken Stolle, Sheriff /High Constable - absent

Great-West Representatives:
Al Calvo
Denise Fortune
Kathleen Neville
Amy Hyle

Advised Assets Group:
Al Cunningham

Segal Advisors, Inc.:
Frank Picarelli

Other City/Schools Staff:
Rod Ingram, Deputy City Attorney
Dana Harmeyer, Assistant City Attorney
Nancy Leavitt, Debt & Financial Services Administrator - absent
Susan Scofield, City Schools - absent

Recorder:
Loretta Brown, Finance

I. Call to Order:
Patti Phillips, Board Chair called the meeting to order at 2:00pm, and opened the meeting with a quick review of the new Deferred Compensation Sharepoint Site. She then reviewed the agenda and welcomed new members to the Board: Mr. John Moss, City Council liaison and Mr. Bill Brunke, School Board liaison. Members and staff introduced themselves to the new members.

II. Review of Minutes:
A motion was made to adopt the minutes of November 18, 2011. The motion was seconded and approved by consensus. Mr. Moss and Mr. Brunke abstained from voting on the minutes because they were not present at the November 2011 meeting.
III. Status of Audit Update, Patti Phillips
Patti announced that Cherry, Bekaert & Holland (CHB) was awarded the contract to perform the audit of the deferred compensation plan (which includes the City, Schools and Sheriff’s Plans). CBH will perform the audit for 2010 and 2011 for a total of $39,600. The audit will be paid for from Plan funds. Patti explained that the Plan receives quarterly revenue sharing of $12,500 from Great-West, in addition to normal reconciliations, all of which can be used for Plan purposes. In addition, Great-West provides funding for a separate account each year of $25,000. The audit is expected to be completed within 4-6 weeks.

IV. Restitution and Policy, Al Calvo
Al provided an overview of the issues relating to the illegal market timing activities in which certain mutual fund companies were involved. He reported that as a result class action lawsuits were filed against the mutual fund companies and they were required to make restitution to its shareholders.

Al reported that the City’s Deferred Compensation Plan had received some mutual fund settlements. He pointed out that initially funds were allocated to participants who had current account balances, as well as to accounts of participants who had closed their accounts due to termination, retirement etc. Currently settlement funds are only allocated to active participants with the balance deposited into the Plan’s asset holding account. Patti shared that the current process is more efficient. Rod commented that the law states that this board has the flexibility to take the entirety of the settlement and use it for Plan purposes, but it has not taken that direction.

Al concluded his update by saying that this issue is ongoing, and noted that he is currently working on two settlements. The status of those settlements is as follows: 1) The Plan has received a settlement check for $2,306 which was deposited into the holding account and will be allocated according to our current policy, 2) The other settlement amount is yet to be determined.

V. Fund Recap and Overview as of 12/31/12, Al Calvo

<table>
<thead>
<tr>
<th></th>
<th>City</th>
<th>Schools</th>
<th>Sheriff</th>
</tr>
</thead>
<tbody>
<tr>
<td>Grand Total Plan Assets</td>
<td>$166,398,536</td>
<td>$12,898,868</td>
<td>$3,247,652</td>
</tr>
<tr>
<td>Current General Account Balance</td>
<td>$169,658</td>
<td>$11,533</td>
<td>$3,803</td>
</tr>
<tr>
<td>Payroll Contributions</td>
<td>$10,001,487</td>
<td>$1,365,342</td>
<td>0*</td>
</tr>
<tr>
<td>Incoming Rollovers</td>
<td>$2,957,029</td>
<td>$567,294</td>
<td>0*</td>
</tr>
<tr>
<td>Participant Distributions</td>
<td>$8,544,771</td>
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<td>$20,431</td>
</tr>
<tr>
<td>Defined Benefits Service Credits to VRS</td>
<td>$69,203</td>
<td>0</td>
<td>0*</td>
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<tr>
<td>Total Participants</td>
<td>5,588</td>
<td>566</td>
<td>528</td>
</tr>
</tbody>
</table>

*Not Permitted By Plan
Deferred Compensation Board Meeting
Minutes – Page 3
March 26, 2012

Al commented that:
- City’s Rollovers totaled $2.96 million and 70% of that was from VRS PLOP option.
- Sheriff’s office does not make any active payroll contributions
- Sheriff’s employees have the option of participating in the 457 Plan
- School employees can participate in both the 403B Plan and the 457 Plan. Currently only 566 school employees are participating in the 457 Plan.
- He spoke with Susan Scofield to discuss how to increase school’s participation in the 457 Plan.

VI. 2011 Activities Report, Al Calvo

<table>
<thead>
<tr>
<th>City of Va. Beach – Activities Report For 2011</th>
<th>Va. Beach City Public Schools–Activities Report For 2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>37 Presentations</td>
<td>1 Presentation</td>
</tr>
<tr>
<td>819 Attendees</td>
<td>20 Attendees</td>
</tr>
<tr>
<td>833 Appointments</td>
<td>16 Appointments</td>
</tr>
<tr>
<td>153 New Enrollments</td>
<td>56 New Enrollments</td>
</tr>
</tbody>
</table>

VII. 2011 Participant Statistics, Al Calvo

<table>
<thead>
<tr>
<th>Total Participants with a Balance (All Current &amp; Former Employees)</th>
<th>City</th>
<th>Schools</th>
</tr>
</thead>
<tbody>
<tr>
<td>5,588</td>
<td></td>
<td>566</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Total Current Participants with a Balance (Currently Employed)</th>
<th>City</th>
<th>Schools</th>
</tr>
</thead>
<tbody>
<tr>
<td>4,569</td>
<td></td>
<td>434</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Total Contributing Participants (Current Employees Making Payroll Contributions)</th>
<th>City</th>
<th>Schools</th>
</tr>
</thead>
<tbody>
<tr>
<td>3,811</td>
<td></td>
<td>342</td>
</tr>
</tbody>
</table>
VIII. General Account Update/Deposits/Withdrawals to the General Account for the 4th Quarter, Al Calvo

- **General Account Report** – This report provided general account information for the City, Schools and Sheriff’s Plans. It reported beginning balances, deposits, withdrawals, accrued interest and ending balances. *(Ending Balances – City $169,658.41; Schools, $11,533.79; Sheriff, $3,803.37.)*

- **Deposits to the General Account Report** – This report provided the amounts contractually due, plus the surplus in quarterly fees deposited across all 3 plans. The total deposit was $14,722.06.

- **Withdrawals to the General Account Report** – This report provided the amount of withdrawals from all 3 Plans. The total withdrawal amount was $8,750.01. Primarily withdraws are payments that are made to Segal Advisors.

IX. Quarterly and Annual Fee Reconciliation, Al Calvo

Al submitted and reviewed the report of the 2011 Quarterly Fee Reconciliation for the 4th Quarter. Below are highlights of the report:

- According to the contract Great-West earns 6.25 basis points on average plan assets each quarter, any surplus is prorated between all 3 Plans, based on the size of the assets in the Plans. The revenue surplus of $7,024.80 was allocated as follows:
  - City, $6,403.39
  - Sheriff, $124.97
  - Schools, $496.44

- Quarterly contractual revenue share of $12,500 was deposited into the following Plans:
  - City, $11,385.11
  - Sheriff, $225.47
  - Schools - $889.42

**Annual Reconciliation for 2011** – The average revenue to Great-West per participant was $72.70, which is less than the average $80.00 annual contractual maximum revenue per account. *(Information on Great-West’s Recordkeeping, Communication and other fees was included in the agenda package)*
X. Plan Review, Al Calvo
Al submitted and provided a quick review of the 2011 Plan report. Highlights include:
- Participants are diversifying across different asset classes
- Contributions into the Mid Cap asset class have gone up from 1.6% in 2010 to 3.3% in 2011
- Participants can make changes online to their investments, payroll deductions and to future allocations on existing money
- Hardship withdrawals dropped to 42 in 2011
- IRS withholding on Hardship withdrawals is 10%, the normal withholding amount is 20%

Al introduced the following Great-West representatives to the Board:
- Amy Heyel, GWRS Vice President-Client Relations, Government Markets-Eastern Region
- Denise Fortune, GWRS Client Relationship Director-Maryland/Virginia Region
- Kathleen Neville, GWRS Regional Director/Field Representative Manager

XI. Fund Performance Review and Annual Segal Advisors Report, Frank Picarelli
Frank reviewed the analysis of investment performance report. He provided an in-depth review on the performance of the investment options of the Plan. He also reviewed the scores the funds had received using the Segal Scoring System. Frank noted that overall the funds performed well, with the exception of American Growth of America Fund and Templeton World Fund. (The complete detailed report was submitted to the board).

Farrell made a motion to update the watch list as of the December performance meeting, as follows: 1) American Century Equity Growth Fund should be removed from the watch list because of its improved performance and tracking over the 5 year period, 2) The American Growth Fund of America and Templeton World Fund are to remain on the watch list because of their underperformance in the 3 and 5 year periods. Linda seconded the motion and was passed by consensus.

XII. Fund Replacement:
Frank submitted and reviewed a report on Large Cap Growth Mutual Fund searches. The report listed funds for the Board’s consideration when it begins to add or replace Large Cap Growth Mutual Funds. The report included the following information about the funds: search process, organization, investment philosophy/style, performance, fees/revenue sharing, peer ranking, Morningstar Ratings, standard deviation and tracking error and Segal Scoring. The Board had a lengthy discussion about the mutual funds. It was the consensus of the Board to table this topic until the next meeting.
Deferred Compensation Board Meeting
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March 26, 2012

XIII. Stable Value Fund, Al Cunningham
Al joined the meeting by telephone and presented an overview of the stable value fund, below are highlights of his review: (the full report was included in the agenda package).

- SVF is being managed within policy
- Historical returns are above market rates
- Average duration of investments is 2.5 years
- Current market value to book value is 103.8%
- Continue to purchase FNMA/FHLMC securities
- All securities are rated AAA (Moody’s)
- 1st quarter credited rate was set at 3.10%
- 2nd quarter credited rate will be set at 3.0%

XIV. VML/VACo OPEB Status, Patti Phillips
Patti announced that a new report on the City/Schools VACo/VML Pooled Trust was included in the agenda package. The report outlined the activities of the Pooled Trust since June 2008 and showed that the City and Schools have a combined market value of $39.3 million at Feb. 29, 2012. Patti noted that the report would be submitted to City Council members in the Friday council package. Farrell asked that the report also be sent to School Board members.

XV. Resolution on Local Finance Board, Patti Phillips
Patti announced that the Deferred Compensation Board (DCB) will now be serving as the Local Finance Board. She added that both the School Board and City Council have adopted resolutions to that effect. Patti informed the Board that the OPEB Trust has requested that the DCB also adopt a resolution to serve as the LFB. In response, Bill Brunke made a motion to adopt a resolution for the Deferred Compensation Board to serve as the Local Finance Board. The motion was seconded by Linda Matkins and was approved by consensus.

Patti commented that the minutes of the OPEB meetings would be posted on the Deferred Compensation Sharepoint Team Site for the Board’s review.

XVI. Annual Report to City Council, Patti Phillips
Patti reported that the Annual Report on the Status of the Deferred Compensation Plan was included in the agenda package. She pointed out that the report summarized key aspects of the Plan, including total assets for City employees, School employees and the Sheriff’s employees. It also provided information on investment choices, funds on the Watch list, and performance data. The report will be submitted to City Council in the Friday package.
Deferred Compensation Board Meeting
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March 26, 2012

XVII. Future Agenda Items:
• Discuss Secure Foundation
• Revisit ROTH Contribution
• Funds Review
• Investment Performance Review

XVIII. Time and Date of the Next Meeting:
The next meeting is scheduled for June 20, from 10:00AM – Noon in the City Hall Building, Room 234.

XIX. Adjournment:
The meeting was adjourned at 4:30 pm.

[Signature]
[Signature]

Submitted by David Hartung, Payroll Administrator
Approved by Chairperson, Patricia A. Phillips

Date
Date
7/10/12
7/10/12

7-10-12
Deferred Compensation Board Meeting
Minutes – November 18, 2011 - 2:30 – 4:30pm
City Manager’s Conference Room 234

Board members:
Jim Wood, Councilman - absent
Patti Phillips (Chair), Director of Finance
Regina Hilliard, Director of Human Resources
Terry Jenkins, City of Virginia Beach Retiree
Linda Matkins, Director of Benefits - absent
David Hartzog, Payroll Administrator
Beverly Spencer, Employee Relations Manager
Ken Stolle, Sheriff / High Constable - absent

Great-West Representative:
Al Calvo

Segal Advisors, Inc.:
Frank Picarelli (by conference call)

Other City/Schools Staff:
Rod Ingram, Deputy City Attorney – absent
Dana Harmeyer, Assistant City Attorney
Nancy Leavitt, Debt & Financial Services Administrator
Susan Scofield, City Schools - absent

Recorder:
Loretta Brown, Finance

I. Call to Order:
Patti called the meeting to order at 2:30pm.

II. Review of Minutes:
A motion was made to adopt the minutes of September 1, 2011. The motion was seconded and approved by consensus.

III. Audit Update, Nancy Leavitt
Nancy announced that Cherry, Bekaert & Holland was awarded the contract to perform the audit of the deferred compensation plan, and briefly described the scope of work to be performed. The price for the audit was $25,495. The contract period was structured for one-year with the option of four additional 1-year extensions. Nancy added that the audit should be completed in approximately 6 weeks. [Due to the later than planned award of the audit contract, CBH proposed and staff agreed that the audits for 2010 and 2011 be performed simultaneously, which will result in a 6.7% reduction in cost due to labor savings. The total for the two years will be $47,540 instead of $50,990. Under the new schedule, the field work will be performed in March and the audits will be delivered at the June 2012 meeting of the Deferred Compensation Board.]

In addition, Patti reported that the City Auditor issued a request for proposal to perform the annual audit on the City’s financial statements. She pointed out that this contract may also allow for additional services, which could include an audit of the City’s Deferred Compensation Plan.

IV. Fee Disclosure, Al Calvo
Al reported that Great-West was still discussing the fee disclosure issue and how to distribute the disclosure information to participants. Al will provide further details on these issues at the next meeting.

V. 3rd Quarter Plan Review, Activities & Results Overview (YTD through 9/30/11), Al Calvo

<table>
<thead>
<tr>
<th></th>
<th>City</th>
<th>Schools</th>
<th>Sheriff</th>
</tr>
</thead>
<tbody>
<tr>
<td>Grand Total Plan Assets</td>
<td>$157,342,443</td>
<td>$12,291,745</td>
<td>$3.12 mil</td>
</tr>
<tr>
<td>Current General Account Balance</td>
<td>$162,889</td>
<td>$11,017</td>
<td>$3,664</td>
</tr>
<tr>
<td>Payroll Contributions</td>
<td>$7,132,455</td>
<td>$1,034,537</td>
<td>N/A</td>
</tr>
<tr>
<td>Incoming Rollovers</td>
<td>$2,209,700</td>
<td>$567,294</td>
<td>N/A</td>
</tr>
<tr>
<td>Participant Distributions</td>
<td>$6,455,374</td>
<td>$824,026</td>
<td>$76,980</td>
</tr>
<tr>
<td>Defined Benefits Service</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Credits to VRS</td>
<td>$69,203</td>
<td>None</td>
<td>N/A</td>
</tr>
<tr>
<td>Total Participants</td>
<td>5,545</td>
<td>554</td>
<td>501</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>29 Presentations</td>
<td>1 Presentation</td>
</tr>
<tr>
<td>722 Attendees</td>
<td>20 Attendees</td>
</tr>
<tr>
<td>611 Appointments</td>
<td>15 Appointments</td>
</tr>
<tr>
<td>115 New Enrollments</td>
<td>44 New Enrollments</td>
</tr>
</tbody>
</table>

Al commented that:
- Rollovers are primarily due to the PLOP option.
- There has been a steady stream of employees retiring throughout the year.
- Leave payout balances are likely to be deposited in deferred compensation accounts.
- There was a spike in new enrollments for School employees during the months of August and September.
VI. Participant Statistics, Al Calvo

<table>
<thead>
<tr>
<th></th>
<th>City</th>
<th>Schools</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Participants with a Balance (All Current &amp; Former Employees)</td>
<td>5,545</td>
<td>554</td>
</tr>
<tr>
<td>Total Current Participants with a Balance (Currently Employed)</td>
<td>4,677</td>
<td>425</td>
</tr>
<tr>
<td>Total Contributing Participants (Current Employees Making Payroll Contributions)</td>
<td>3,858</td>
<td>333</td>
</tr>
</tbody>
</table>

VII. Local Finance Board Resolution, Patti Phillips

Patti announced that City Council is scheduled to vote next week to designate the Deferred Compensation Board as the Local Finance Board for purposes of managing the OPEB Trust. The School Board has adopted the resolution to accept this change. Patti reminded Board members that they would not be making investment decisions on the OPEB Trust. Patti will be providing an update on the OPEB Pooled Trust’s activities following the Deferred Compensation Board meetings once City Council adopts the resolution. Patti noted that her update should take about 10 minutes.

Copies of: 1) Asset Consulting Group’s Investment Performance Review of the VACo/VML Pooled OPEB Trust for the quarter ended September 30, 2011 and 2) VACo/VML’s summary report which highlighted the activities of both Portfolio I and II was provided to the Board. Patti noted that the City and Schools were part of Portfolio I.

VIII. General Account Update / Deposits/Withdrawals to the General Account, Al Calvo

- **General Account Report** – This report provided general account information for the City, Schools and Sheriff’s Plans. It reported beginning balances, deposits, withdrawals, accrued interest and ending balances. (Ending Balances – City $162,889.34; Schools, $11,016.91; Sheriff, $3,664.19)
- **Deposits to the General Account Report** – This report provided the amounts contractually due, plus the surplus in quarterly fees deposited across all 3 plans. The total deposit was $16,403.37.
- **Withdrawals to the General Account Report** – This report provided the amount of withdrawals from all 3 Plans. The total withdrawal was $11,945.54. Primarily withdrawals are payments made to Segal Advisors.

IX. Stable Value Fund, Al Calvo

Al reported that the SVF is still Triple A rated. The market to book value was 104.1% for the 3rd quarter. Al noted that interest credited to participants would probably continue to decrease. The Investment Management Fees dropped 40 basis points.
X. **Restitution, Al Calvo**
Al announced that he received a Notice of Settlement from Franklin Mutual Funds for shares held in the Templeton World Fund between February 1999 and February 2004. To receive the settlement payment Great West would need to submit a claim form for the number of shares held (approximately 175,000 to 250,000) in the Templeton World Fund during the applicable timeframe. The Settlement notice stated that, “the estimated per share recovery ranges from 0.004¢ to 4.363¢.” Al noted that GW will submit the claim form.

XI. **Quarterly Fee Reconciliation, Al Calvo**
Al submitted a report of the 2011 Quarterly Fee Reconciliation for the 3rd Quarter. Below are highlights of the report:

- According to the contract Great-West earns 6.25 basis points on average plan assets each quarter, any surplus is prorated between all 3 Plans, based on size of assets in the Plans. The revenue surplus of $2,222.06 was allocated as follows:
  - City, $2,023.87
  - Sheriff, $40.48
  - Schools, $158.11

- Quarterly contractual revenue share of $12,500 was deposited into the following Plans:
  - City, $11,385.11
  - Sheriff, $225.47
  - Schools - $889.42

XII. **Financial Market Conditions, Frank Picarelli**
Frank provided a brief overview of the financial market conditions for the 3rd Quarter. (full report was provided to the Board).

XIII. **Fund Performance Review, Frank Picarelli**
Following Frank’s Fund Performance review the following actions were taken:

1) **American Century Equity Growth Fund** – This Fund will remain on the Watchlist because of its underperformance.

2) **American Funds - Growth Fund of America** – A decision was made to leave this Fund on the Watchlist because of its underperformance (see motion on the following page).

3) **Templeton World Fund** – Is still on the Watchlist.

4) **Janus Forty** – the Board will continue to monitor this fund.

5) **Segal Advisors** - will add a Watchlist Page to the Fund Performance Review. It will include when and why a fund was placed on the Watchlist.

6) **Fund Changes** – At their annual meeting, the Board will discuss Fund changes and Frank will provide the names of 3 or 4 more new funds for the Board’s review,
MOTION:
Terry Jenkins made a motion to leave American Funds Growth Fund of America on the Watchlist and to reevaluate its year-end numbers, the motion was seconded and passed by consensus.

XIV. Future Agendas Pending Items:
Patti provided a list of potential items for discussion in 2011 (see items 1-6 below):
1) Prepare Annual Report
2) ROTH IRA Discussion
3) Guaranteed Income Annuity Discussion
4) Board Education
5) Review the IRS Regulations on Participant Fee Disclosure
6) Lifestyle vs. Target
7) Compliance Audit

XV. Agenda Items for Next Meeting:
1) Funds Review
2) Review Watch List Report
3) Guaranteed Income Product – Further Discussion
4) Audit Update
5) Resolution Local Finance Board/Deferred Compensation Board
6) Participant Fee Disclosure – Further Discussion

XVI. Time and Date of the Next Meeting:
The next meeting is scheduled for March 26, from 2:00 – 4:30pm in the City Hall Building, Room 234.

XVII. Adjournment:
The meeting was adjourned at 4:30 pm.

Submitted by David Hatzieg, Payroll Administrator

Approved by Chairperson, Patricia A. Phillips

Date

Date

April 30, 2012

April 30, 2012
Deferred Compensation Board Meeting  
Minutes – September 1, 2011 - 1:00 – 3:00pm  
City Manager’s Conference Room 234

**Board members present:**  
Jim Wood, Councilman  
Patti Phillips (Chair), Director of Finance  
Regina Hilliard, Director of Human Resources  
Terry Jenkins, City of Virginia Beach Retiree  
Linda Matkins, Director of Benefits - absent  
David Hartzog, Payroll Administrator  
Beverly Spencer, Employee Relations Manager  
Ken Stolle, Sheriff/High Constable

**Great-West Representative:**  
Al Calvo  
Denise Fortune

**Advised Assets Group:**  
Al Cunningham (by conference call)

**Segal Advisors, Inc.:**  
Frank Picarelli (by conference call)

**Other City/Schools Staff:**  
Rod Ingram, Deputy City Attorney  
Nancy Leavitt, Debt & Financial Services Administrator  
Susan Scofield, City Schools

**Recorder:**  
Loretta Brown, Finance

I. **Call to Order:**
   Patti called the meeting to order at 1:00pm.

II. **Review of Minutes:**
   A motion was made to adopt the minutes of March 10, 2011. The motion was seconded and approved by consensus.

III. **Stable Value Fund, Al Cunningham**
   Al joined the meeting by conference call and provided a summary report of the potential effects to the Stable Value Fund as a result of Standard & Poor’s downgrade of the United States from AAA to AA+ (Al’s summary report and the quarterly SVF report were included in the agenda package). Below are highlights of both reports:

   ➢ AAG anticipates a low interest rate environment for the short to intermediate term  
   ➢ Investments are not only in Treasuries, most of the SVF’s investments are in Mortgaged Backed Securities
Deferred Compensation Board Meeting
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➢ Economy is going to have a slow growth period
➢ The SVF interest rate is likely to decline over the next few quarters
➢ The SVF will continue to be managed with a consistent, disciplined approach
➢ AAG will continue to invest in the same types of securities in which they have always invested (a list of the holdings was included)
➢ As of June 30 total Par Value of Assets were $83.60 million
➢ Market to Book Value ratio was 103.0% as of June 30
➢ The Stable Value Fund is managed within Policy
➢ The Investment Management Fee changed from 0.45% to 0.40% effective June 1, 2011
➢ As of 6/30/11, the current yield was 3.40%

IV. De Minimis Accounts, Al Calvo
Al announced that Great-West created a communication piece on de minimis accounts, based on the Board’s input. The purpose of the communication is to remind participants who have small account balances that there are various retirement plan options available to them. Al pointed out that the communication would be mailed to participants who have retired or separated from service (approximately 100-150 participants). The Board instructed Great-West to mail the information to participants.

V. Fee Disclosure, Al Calvo
Al provided a copy of Great-West’s Fee Disclosure sample for the Board’s review, and announced that a copy had also been provided to the Department of Labor (DOL) for its review. The effective date for Plans that are required to provide fee disclosure information was extended to April 12, 2012. Great-West is not required to comply with the new fee disclosure regulations, but a best practice would be to model its language and guidelines.

The Board had a long discussion about both the advantages and disadvantages of adopting all/part of the fee disclosure regulations. In addition, there was a discussion on the best way to distribute the disclosure information to participants, if adopted. Members asked if the disclosure information could be: 1) included with participants’ quarterly statements, 2) printed only for individuals who requested it, and/or 3) posted to the Deferred Compensation Website. Denise Fortune responded that she would need to confirm what options would be available. Patti indicated that more discussion on this subject would need to take place at another meeting.
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VI. Local Finance Board Resolution, Patti Phillips
Patti announced that in 2008 City Council adopted an ordinance to establish an Other Post-Employment Benefits Trust (OPEB) and a Local Finance Board (LFB), for both the City and Schools to be in compliance with GASB 45. She proposed that the Deferred Compensation Board as the LFB. [Attached is the Ordinance prepared by the City Attorney’s office to Amend City Code Sections 2-122 and 2-123 regarding the role and membership of the Deferred Compensation Board and to designate the Deferred Compensation Board as the Local Finance Board for purposes of managing the OPEB Trust. The Ordinance will be forwarded to City Council for approval November 22.]

VII. RFP Audit Update, Nancy Leavitt
Nancy announced that due to the hurricane, the closing date for the RFP was extended to September 6. The following City/Schools representatives will serve on the RFP evaluation committee:
1. Nancy Leavitt, Finance/Administration
2. Chris Ford, Audit Services
3. Susan Scofield, Schools
4. Mary Kammer, Sheriff’s Office

VIII. Guaranteed Income Product (GIP), Denise Fortune
Denise provided a presentation on Great-West’s new Guaranteed Income Product, SecureFoundation. The GIP is intended to provide a guaranteed income stream for life. Key points of her presentation included:
1. The Investment Vehicles are: Maxim SF Balanced Portfolio and MaximSF Lifetime Portfolios
2. Great-West will earn 35 basis points
3. There is Protection to participants’ retirement income when the market goes down
4. Participants benefit when the market goes up
5. Participants are Guaranteed income for life, regardless of market performance
6. Participants always have access to their money without penalty or restrictions
7. Participants’ benefit base can decrease as a result of any withdrawal (including a loan) or transfer out of the fund. The adjustment will be proportional to the amount the excess withdrawal reduce the fund value

Following Denise’s review, the Board raised several issues related to the GIP, which included: inheritance issues, contract issues, portability issues and recordkeeping issues. Board members agreed that they would like to have further discussion on this product before offering it to participants. Patti advised board members to email their questions to Frank Picarelli at fpicarelli@segadvisors.com
IX.  2nd Quarter Plan Review & Activities & Results Overview (as of 6/30/11), Al Calvo

<table>
<thead>
<tr>
<th></th>
<th>City</th>
<th>Schools</th>
<th>Sheriff</th>
</tr>
</thead>
<tbody>
<tr>
<td>Grand Total Plan Assets</td>
<td>$165,765,613</td>
<td>$12,908,593</td>
<td>$3,373,662</td>
</tr>
<tr>
<td>Current General Account Balance</td>
<td>$157,504</td>
<td>$10,615</td>
<td>$3,559</td>
</tr>
<tr>
<td>Payroll Contributions</td>
<td>$5,033,232</td>
<td>$712,243</td>
<td>N/A</td>
</tr>
<tr>
<td>Incoming Rollovers</td>
<td>$1,164,948</td>
<td>$321,708</td>
<td>N/A</td>
</tr>
<tr>
<td>Participant Distributions</td>
<td>$5,165,095</td>
<td>$467,352</td>
<td>$22,327</td>
</tr>
<tr>
<td>Defined Benefits Service</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Credits to VRS</td>
<td>$34,141</td>
<td>None</td>
<td>N/A</td>
</tr>
<tr>
<td>Total Participants</td>
<td>5,490</td>
<td>534</td>
<td></td>
</tr>
</tbody>
</table>

Participation Statistics (As of 6/30/11):

<table>
<thead>
<tr>
<th></th>
<th>City</th>
<th>Schools</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Participants with a Balance</td>
<td>5,490</td>
<td>534</td>
</tr>
<tr>
<td>Total Current Participants with a Balance</td>
<td>4,731</td>
<td>401</td>
</tr>
<tr>
<td>Total Contributing Participants</td>
<td>3,860</td>
<td>313</td>
</tr>
</tbody>
</table>

Activities & Results Overview:

<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>17 Presentations</td>
<td>1 Presentation</td>
</tr>
<tr>
<td>430 Attendees</td>
<td>20 Attendees</td>
</tr>
<tr>
<td>349 Appointments</td>
<td>14 Appointments</td>
</tr>
<tr>
<td>69 New Enrollments</td>
<td>25 New Enrollments</td>
</tr>
</tbody>
</table>

General Account Update / Deposits/Withdrawals to the General Account, Al Calvo

- **General Account Report** – This report provided general account information for the City, Schools and Sheriff’s Plans. It reported beginning balances, deposits, withdrawals, accrued interest and ending balances through June 30, 2011.

- **Deposits to the General Account** – This report provided the amounts contractually due, plus the surplus in quarterly fees deposited across all 3 plans. The total deposit was $22,471.04.

- **Withdrawals to the General Account** – This report provided the amount of withdrawals from all 3 Plans. The total withdrawal was $7,863.59.
X. **Quarterly Fee Reconciliation, Al Calvo**

Al submitted a report of the 2011 Quarterly Fee Reconciliation for the 2nd Quarter and explained the breakdown of each section. Below are highlights of the report:

- According to the contract Great-West earns 6.25 basis points on average plan assets each quarter, any surplus is prorated between all 3 Plans, based on size of assets in the Plans. The revenue surplus of $3,903.47 was allocated as follows:
  - City, $3,558.14
  - Sheriff, $71.55
  - Schools, $273.78

- Quarterly contractual revenue share of $12,500 was deposited into the following Plans on 5/27/11:
  - City, $11,394.16
  - Sheriff, $229.13
  - Schools - $876.71

XI. **Financial Market Conditions, Frank Picarelli:**

Frank provided a brief overview of the financial market conditions for the 2nd Quarter. (full report was provided to the Board).

XII. **Fund Performance Review, Frank Picarelli:**

Key points of Frank’s review are listed below:

1) **American Century Equity Growth Fund** – will remain on the Watchlist because of its underperformance.

2) **American Funds - Growth Fund of America** – was placed on the Watchlist because of its underperformance and will continue to be monitored.

3) **Templeton World Fund** – was removed from the Watchlist.

4) **Janus Forty** – the Board will continue to monitor this fund.

XIII. **Potential Agenda Items for 2011:**

Patti provided a list of potential items for discussion in 2011 (see items 1-5 below) and she asked if there were any other items to add to the list. (Item 6 was added)

1) Annual Report
2) ROTH IRA Discussion
3) Guaranteed Income Annuity Discussion
4) Issue an RFP for an Audit of the Deferred Compensation Plan
5) Board Education
6) Review the IRS Regulations on Participant Fee Disclosure
Deferred Compensation Board Meeting
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XIV. Agenda Items for Next Meeting:
   - Guaranteed Income Product – Further Discussion
   - RFP Audit Update
   - Resolution Local Finance Board/Deferred Compensation Board
   - Participant Fee Disclosure – Further Discussion

XV. Time and Date of the Next Meeting:
The next meeting is scheduled for November 18, from 2:30 – 4:30pm in the City Hall
Building, Room 234.

XVI. Adjournment:
The meeting was adjourned at 3:00 pm.

[Signatures]
Submitted by David Hartzog, Payroll Administrator
Date

Approved by Chairperson, Patricia A. Phillips
Date
Deferred Compensation Board Meeting
Minutes – June 20, 2011 - 3:00 – 5:00pm
City Manager’s Conference Room 234

**Board members present:**
Jim Wood, Councilman
Patti Phillips (Chair), Director of Finance
Regina Hilliard, Director of Human Resources
Terry Jenkins, City of Virginia Beach Retiree - absent
Linda Matkins, Director of Benefits
David Hartzog, Payroll Administrator - absent
Beverly Spencer, Employee Relations Manager
Ken Stolle, Sheriff /High Constable

**Great-West Representative:**
Al Calvo

**Segal Advisors, Inc.:**
Frank Picarelli (by conference call)

**Other City/Schools Staff:**
Dana Harmeyer, Assistant City Attorney
Nancy Leavitt, Debt & Financial Services Administrator

**Recorder:**
Loretta Brown, Finance

I. **Call to Order:**
Patti called the meeting to order at 3:00pm.

II. **Review of Minutes:**
A motion was made to adopt the minutes of March 10, 2011. The motion was seconded and approved by consensus.

III. **Audit RFP, Nancy Leavitt**
Nancy reported that she consulted with the City Attorney’s office to determine if the deferred compensation plan audit could be conducted by the accounting firm that currently audits the city’s financials. The City Attorney’s office advised that a separate Request for Proposal (RFP) would need to be issued for these services.

Nancy will draft the RFP and circulate it to Board members for their input prior to mailing it to potential offerors. Patti reminded the board that the City, Schools and Sheriff’s plans will be included in the audit. She added that the audit will be paid out of the General Account and will be prorated based on the assets of all three plans.
IV. Restitution, Al Calvo
Al reported that the restitution funds were deposited into the appropriate accounts as decided upon at the last meeting. The total restitution amount was $6,632.

V. City Council Package, Nancy Leavitt
Nancy announced that a letter outlining the changes made to the Investment Policy was sent to City Council in April.

VI. De Minimis Discussion, Al Calvo
Al provided information requested by the Board at the last meeting, which included:
1) De minimis balances of all 3 Plans, 2) A sample letter addressed to Retirement Plan Participants, 3) De minimis procedures for processing distribution of terminated account balances of $1,000 and less.

Following an overview of the information, Al informed the Board that in the past he has advised former employees and/or retirees to keep minimal balances in their 457 Plans because it would allow them to continue in the Plan. He explained that former employees and/or retirees cannot be reinstated into the Plan if they have either rolled over their accounts or have withdrawn their account balances. Al added that as a result, closing de minimis accounts would also close the opportunity for participants to continue in the Plan.

The Board discussed various issues surrounding the closing of de minimis accounts and the following next step was decided upon:
- Patti asked Al to draft an informal letter to former employees and/or retirees encouraging them to close their accounts (the letter should be directed to those having account balances in the $250-$500 range). Al was instructed to bring the letter to the next board meeting for the board’s review.

VII. 1st Quarter Plan Review & Activities & Results Overview (as of 3/31/11), Al Calvo

<table>
<thead>
<tr>
<th></th>
<th>City</th>
<th>Schools</th>
<th>Sheriff</th>
</tr>
</thead>
<tbody>
<tr>
<td>Grand Total Plan Assets</td>
<td>$165,744,003</td>
<td>$12,581,531</td>
<td>$3,037,000</td>
</tr>
<tr>
<td>Current General Account Balance</td>
<td>$142,762</td>
<td>$9,635</td>
<td>$3,283.97</td>
</tr>
<tr>
<td>Payroll Contributions</td>
<td>$2,651,863</td>
<td>$336,893</td>
<td>N/A</td>
</tr>
<tr>
<td>Incoming Rollovers</td>
<td>$761,515</td>
<td>$321,708</td>
<td>N/A</td>
</tr>
<tr>
<td>Participant Distributions</td>
<td>$3,275,454</td>
<td>$331,181</td>
<td>$37,671.46</td>
</tr>
<tr>
<td>Defined Benefits Service</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Credits to VRS</td>
<td>$4,452</td>
<td>None</td>
<td>N/A</td>
</tr>
<tr>
<td>Total Participants</td>
<td>5,698</td>
<td>520</td>
<td>505</td>
</tr>
</tbody>
</table>
Activities & Results Overview:

<table>
<thead>
<tr>
<th>City of Va. Beach – Activities Report for 1st Qtr. 2011</th>
<th>Va. Beach City Public Schools – Activities Report For 1st Qtr. 2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>8 Presentations</td>
<td>1 Presentations</td>
</tr>
<tr>
<td>172 Attendees</td>
<td>20 Attendees</td>
</tr>
<tr>
<td>231 Appointments</td>
<td>4 Appointments</td>
</tr>
<tr>
<td>44 New Enrollments</td>
<td>11 New Enrollments</td>
</tr>
</tbody>
</table>

Al commented that:
- The New Funds added are: PIMCO Total Return, Vanguard Total Bond Index, Janus Perkins Mid Cap Value, Morgan Stanley Mid Cap Growth and Eagle Small Cap Growth
- He will provide the number of participants
- Dreyfus Active Mid Cap Fund was terminated March 1
- Not as many people retired in January
- There has been an increase in hardship requests, which are due to foreclosures and evictions
- He has seen an increase payroll contributions due to the 2.5% pay increase

VIII. Quarterly Fee Reconciliation, Al Calvo
Al submitted a report of the 2010 Quarterly Fee Reconciliation for the 1st Quarter and explained the breakdown of each section. Below are highlights of the report:

- According to the contract Great-West earns 6.25 basis points on average plan assets each quarter, any surplus is prorated between all 3 Plans, based on size of assets in the Plans. The revenue surplus of $3,338.09 was allocated as follows:
  - City, $3,044.91
  - Sheriff, $62.02
  - Schools, $231.16

- Quarterly contractual revenue share of $12,500 was deposited into the following Plans on May 27:
  - City, $11,402.14
  - Sheriff, $232.25
  - Schools - $865.61
IX. General Account Update / Deposits/Withdrawals to the General Account/ Participation Statistics, Al Calvo

- **General Account Report** – This report provided general account information for the City, Schools and Sheriff’s Plans. It reported beginning balances, deposits, withdrawals, accrued interest and ending balances through **March 31, 2011**.

- **Deposits to the General Account Report (through 3/31/11)** – This report provided the amounts contractually due, plus the surplus in quarterly fees deposited across all 3 plans. The total deposit was **$18,722.45**.

- **Withdrawals to the General Account Report** – This report provided the amount of withdrawals from all 3 Plans. The total withdrawal was **$9,468.34**.

- **Participation Statistics Report** – This report provided Participant information as of March 31, 2011 for the City and Schools Plans. The report was broken down by: 1) Total Participants with a balance, 2) Total Current Participants with a Balance, and 3) Total Contributing Participants

X. Financial Market Conditions, Frank Picarelli:
Frank provided an overview of the financial market conditions for the 1st Quarter which covered the following: Growth Domestic Product, Inflation, Fed Funds Target Rate, Labor Market and the Unemployment Rate. He also reviewed the overall Investment Performance of the financial markets: Selected Rates of Return, Equity Sector and Yield Spread Analysis, Long-Term Equity Trends, Fixed-Income and Alternative Asset Class Data, and the Quarterly Highlights *(these topics are detailed in Segal Advisors’ booklet, under Tab 1)*. Frank also gave a brief overview of the City, Schools and Sheriff’s Funds for January 1, 2011 through March 31, 2011 *(detailed in Segal Advisors’ booklet, under Tab 2)*.

XI. Fund Performance Review, Frank Picarelli:
Frank gave a brief synopsis of each Fund in the Plan. Key points of his review are listed below:

1) **American Century Equity Growth Fund** – is on the watchlist because of its underperformance for its 3 and 5 year periods, and will remain on the watchlist.

2) **American Funds - Growth Fund of America** – underperformed for its 3 and 5 year periods. Frank recommended placing it on the watchlist. It was the consensus of the Board not to formally place this fund on the watchlist, but to continue to monitor it.

3) **Dreyfus New Leaders** - was replaced in March 2011 and was mapped to the Vanguard Index Funds.

4) **Templeton World Fund** – is doing well and its 3-year number is beating the benchmark. Frank recommended taking it off the watchlist.

5) **Janus Forty** – Underperformed for the 3 year period. Frank recommended that it remain on the watchlist.
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XII. Roth 457, Al Calvo
Al announced that governmental 457(b) plans may now make designated Roth contributions. He explained the provisions of the designated Roth contributions, and pointed out that one of its key features is that Roth contributions are taxed immediately, therefore allowing the participant to lock into today’s tax rate. Al commented that the participant would be hedging that future tax rates would be increasing. He noted that distribution requirements still apply, even though the taxes have already been paid. Complete details are included in the NAGDCA article that was included in the agenda package.

XIII. Fee Disclosure, Frank Picarelli and Al Calvo
Frank asked Al if Great West plans to adhere to the fee disclosure rules that apply to ERISA programs. Al responded that GW has had some discussion on the subject, but a decision has not been made on how to proceed. Patti asked Al to report to the Board what GW plans to do in regard to fee disclosure.

XIV. Other Post Employment Benefits’ Trustee, Patti Phillips
Patti brought forth a proposal to move the responsibilities of the Local Finance Board (LFB) to the Deferred Compensation Board. She explained that the LFB is responsible for reviewing investments in the City and Schools Other Post Employment Benefits retiree health care money in the VML/VACO Pooled Trust. The LFB does not make investment decisions. Investment decisions are made at the Pooled Trust level. Patti said that rather than providing an update to a separate Board on the Pooled Trust’s activities, it would be more efficient providing an update to the Deferred Compensation Board. The update would take about 10 minutes. Linda had some concerns about representing the Schools on its financial issues. Patti said that she would discuss this with Farrell Hanzaker, the Schools’ Chief Financial Officer. She said the next step would be to ask the City Attorney’s office to prepare a resolution. Patti will bring the resolution to the next Deferred Compensation Board meeting.

XV. Potential Agenda Items for 2011:
Patti provided a list of potential items for discussion in 2011 (see items 1-5 below) and she asked if there were any other items to add to the list. (Item 6 was added)
1) Annual Report
2) ROTH IRA Discussion
3) Guaranteed Income Annuity Discussion
4) Issue an RFP for an Audit of the Deferred Compensation Plan
5) Board Education
6) Review the IRS Regulations on Participant Fee Disclosure
Deferred Compensation Board Meeting
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June 20, 2011

XVI. Agenda Items for Next Meeting:
- ERISA Discussion – Fee Disclosure
- De Minimis – Draft Letter for Discussion
- RFP Audit Update
- Templeton World Fund
- Resolution

XVII. Time and Date of the Next Meeting:
The next meeting is scheduled for Monday, August 29th, from 3-5pm in the City Hall Building, Room 234.

XVIII. Adjournment:
The meeting was adjourned at 4:55 pm.

[Signature]
9/22/11
Submitted by David Hartzog, Payroll Administrator

[Signature]
9-22-11
Approved by Chairperson, Patricia A. Phillips

Date
Deferred Compensation Board Meeting  
Minutes – March 10, 2011 - 3:00 – 5:00pm  
City Manager’s Conference Room 234

Board members present:
Jim Wood, Councilman - absent
Patti Phillips (Chair), Director of Finance
Regina Hilliard, Director of Human Resources
Terry Jenkins, City of Virginia Beach Retiree
Linda Matkins, Director of Benefits
David Hartzog, Payroll Administrator
Beverly Spencer, Employee Relations Manager
Ken Stolle, Sheriff/High Constable

Great-West Representative:
Al Calvo

Advised Asset Group Representative:
Al Cunningham

Segal Advisors, Inc.:
Frank Picarelli
Taylor Benson

Other City/Schools Staff:
Rod Ingram, Deputy City Attorney
Nancy Leavitt, Debt & Financial Services Administrator

Recorder:
Loretta Brown, Finance

I. Call to Order:
Patti called the meeting to order at 3:00pm.

II. Review of Minutes:
Terry Jenkins made a motion to adopt the minutes of October 25, 2010. The motion was
seconded by Linda Matkins and approved by consensus.

III. Annual Stable Value Fund, Al Cunningham
Al joined the meeting by conference call and provided an overview of the Stable Value
Fund, below are highlights of his update (the full report was provided in the agenda
package):
> The SVF at December 31, 2010 is $83.5 million
> The SVF receives all of the investment performance of the fund, less management
fees of 0.45%. The management fees will be 0.40% when the total account balance
of the fund reaches more than $85 million.
> The Fund is audited annually by Deloitte & Touche
The Fund is wrapped at 100% by Great-West, and the final version of the Finance Reform Bill says that existing wrap contracts are grandfathered—*Frank asked if any additional fees are associated with the wrapper. Al responded that there are no additional fees and added that they cannot change the fees*.  
As of 1/31/11, the current yield is 4.14%  
All of the holdings in the SVF continue to be triple-AAA rated  
Historical credited rates are above both Treasuries and Money Market Funds  
The Fund is managed within Policy  
Market to book value ratio is more than 100%

IV. **Restitution Check, Al Calvo**  
Al announced that the Deferred Compensation Plan received a check from the MFS settlement and provided the following details related to the allocation of funds:

1. The Deferred Compensation Plan received a **$6,632.95** restitution check for the MFS Settlement (period of January 2000 to June 2003).
2. **1,745** Participants (both current and former) are eligible to receive settlement checks.
3. Of the 1,745 Participants there are **1,230** Active Participants.
4. The **1,230** Active Participants represent **$4,946.92** of the grand total of the Restitution Check.
5. The balance of **$1,686.03** is eligible to be allocated among approximately **500** individuals who no longer have accounts with Great-West. Of the **500** individuals, approximately **450** would receive less than **$10**.
6. Approximately 10 people would receive an amount more than **$25**, and the highest amount to any one individual in the group would be **$49**.

Following a discussion about the restitution process, Patti asked if there was a motion to proceed with the allocation of funds as discussed. **Terry Jenkins made the following motion: Because we don't know what the future holds with restitution we will evaluate each check received based on the particular facts and circumstances surrounding that check. For this check we are going to distribute to the active participants and the balance will go to the general account for plan purposes. The motion was seconded by Beverly Spencer and passed by consensus.**

In addition, it was noted that a policy may be written to address future restitutions.
V. **De Minimis Report, Al Calvo**

Al reported that the de minimis account balances in the City's Plan ranged from $1 to $960 and noted that the Adoption Agreement does not allow mandatory de minimis distributions without participant consent. Al explained the differences between in-service and out-of-service de minimis distributions and pointed out that there are specific regulations and requirements that must be met before accounts can be closed. There was a long discussion about the regulations and requirements associated with closing de minimis accounts. In order to address some of the concerns that were raised, the Board requested the following information from Great-West:

1. Provide detailed information on the de minimis balances of all 3 Plans
2. Prepare a sample Form letter addressed to participants
3. Provide amendments that would need to be made to the contract
4. Provide a recommendation for closing de minimis accounts that would be less intrusive, but beneficial in terms of recordkeeping

VI. **4th Quarter Plan Review and Activities & Results Overview, Al Calvo**

<table>
<thead>
<tr>
<th></th>
<th>City</th>
<th>Schools</th>
<th>Sheriff</th>
</tr>
</thead>
<tbody>
<tr>
<td>Grand Total Plan Assets</td>
<td>$160,626,170</td>
<td>$11,937,251</td>
<td>$3,300,000</td>
</tr>
<tr>
<td>Current General Account Balance</td>
<td>$133,115</td>
<td>$8,918</td>
<td>-</td>
</tr>
<tr>
<td>Payroll Contributions</td>
<td>$10,212,737</td>
<td>$1,357,351</td>
<td>-</td>
</tr>
<tr>
<td>Incoming Rollovers</td>
<td>$4,329,966</td>
<td>$778,899</td>
<td>-</td>
</tr>
<tr>
<td>Participant Distributions</td>
<td>$8,183,408</td>
<td>$715,712</td>
<td>-</td>
</tr>
<tr>
<td>Defined Benefits Service Credits to VRS</td>
<td>$105,039</td>
<td>None</td>
<td>-</td>
</tr>
<tr>
<td>Total Participants</td>
<td>5,654</td>
<td>523</td>
<td>-</td>
</tr>
</tbody>
</table>

**Activities & Results Overview:**

<table>
<thead>
<tr>
<th>City of Va. Beach Activities Report for 2010</th>
<th>Va. Beach City Public Schools Activities Report for 2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>• 49 Presentations</td>
<td>• 3 Presentations</td>
</tr>
<tr>
<td>• 739 Attendees</td>
<td>• 310 Attendees</td>
</tr>
<tr>
<td>• 486 Appointments</td>
<td>• 31 Appointments</td>
</tr>
<tr>
<td>• 129 New Enrollments</td>
<td>• 67 New Enrollments</td>
</tr>
</tbody>
</table>

Al commented that:
- The following funds were added on January 1: PIMCO Total Return, Vanguard Total Bond Index, Janus Perkins Mid Cap Value, Morgan Stanley Mid Cap Growth and Eagle Small Cap Growth
- Dreyfus Active Mid Cap Fund was terminated March 1
- Approximately $1.27 million was mapped from Dreyfus to Vanguard
- There has been a decrease in hardship requests
VII. Quarterly and Annual Fee Reconciliation, Al Calvo
Al submitted a report of the 2010 Quarterly Fee Reconciliation for the 4th Quarter and explained the breakdown of each section. Based on the assets, Great-West was due $106,709.88. Below are highlights of the report:

- According to the contract Great-West earns 6.25 basis points on average plan assets each quarter, any surplus is prorated across all 3 Plans, based on the size of assets in the Plans. The revenue surplus of $6,222.45 was allocated as follows:
  - City, $5,682.66
  - Sheriff, $117.11
  - Schools, $422.68

- Quarterly contractual revenue share of $12,500 will be deposited into the following Plans:
  - City, $11,415.64
  - Sheriff, $235.26
  - Schools - $849.10

- Annual Reconciliation for 2010 - The average revenue to Great West per participant was $65.18, which is less than the average $80.00 annual contractual maximum revenue per account.

VIII. General Account Update / Deposits/Withdrawals to the General Account/ Participation Statistics, Al Calvo

- **General Account Report** – This report provided general account information for the City, Schools and Sheriff’s Plans. It reported beginning balances, deposits, withdrawals, accrued interest and ending balances through December 31, 2010.

- **Deposits to the General Account Report** – This report provided the amounts contractually due, plus the surplus in quarterly fees deposited across all 3 plans. The total deposit was $24,236.67.

- **Withdrawals to the General Account Report** – This report provided the amount of withdrawals from all 3 Plans. The total withdrawal was $10,500.

- **Participation Statistics Report** – This report provided Participant information as of December 31, 2010 for the City and Schools Plans. The report was broken down by: 1) Total Participants with a balance, 2) Total Current Participants with a Balance, and 3) Total Contributing Participants
IX. Financial Market Conditions, Frank Picarelli:
Frank provided an overview of the financial market conditions for the 4th Quarter which covered the following: GDP Growth Positive, Inflation, Fed Funds Target Rate, Labor Market and the Unemployment Rate. He also reviewed the overall Investment Performance of the financial markets: Selected Rates of Return, Equity Sector and Yield Spread Analysis, Long-Term Equity Trends, Fixed-Income and Alternative Asset Class Data, and the Quarterly Highlights (these topics are detailed under Tab 1 in the booklet entitled, Analysis of Investment Performance, submitted by Segal Advisors.) He also gave a brief overview of the City, Schools and Sheriff’s Funds for October 1, 2010 through December 31, 2010.

X. Fund Performance Review, Taylor Benson
Taylor began by saying that the Virginia Beach Stable Value Fund has outperformed its benchmark. She then gave a brief synopsis of each Fund in the Plan, and reported that overall the Funds have been doing well relative to their benchmarks, with the following exceptions:

1) American Century Equity Growth Fund – this Fund is on the watchlist because of its longer term underperformance, but it has started to see some turnaround.
2) Dreyfus New Leaders - was replaced in March 2011 and was mapped to the Vanguard Index Funds. Taylor noted that this Fund is still underperforming.
3) Templeton World Fund – On March 1, one of three managers was replaced. It has been on the watchlist for 3 quarters because of underperformance. Segal made a recommendation to keep it on the watchlist another quarter. A decision to replace the Fund may be made next quarter if it continues to underperform.
4) American Funds Growth Fund – Over the recent period, this Fund has seen some underperformance relative to its benchmark.

In addition, Taylor reported that the Investment Policy (IP) has been updated to reflect all the new asset classes added to the Plan. Linda Matkins made a motion to accept the changes to the Investment Policy. The motion was seconded by Terry Jenkins and approved by consensus. Taylor will forward the updated IP to Patti for her signature. Patti asked Nancy to draft a letter to City Council members to inform them of the changes to the IP.
XI. Audit, Patti Phillips
Patti announced that the Deferred Compensation Plan has $50,000 in its General Account that could be used to cover the cost of an audit of the Plan. She said that the first step in obtaining an audit would be to draft a Request for Proposal (RFP). Patti asked Frank for his input regarding the type of audit to request in the RFP. Frank responded that the Plan should either receive a Financial Audit and/or a Compliance audit. He explained that: 1) a financial audit consists of an audit of the financial statements of the Plan and should be conducted annually, and 2) a compliance audit examines the Plan documents and the transactions that are being processed by Great-West. He added that this type of audit should be conducted periodically. Following a discussion about the audit and the RFP process, Patti asked if there was a motion to issue a RFP. Terry Jenkins made a motion to move forward with the Request For Proposal process. The motion was seconded by Beverly Spencer and approved by consensus.

In addition, it was decided that Nancy would draft the RFP and circulate it to Board members by email for their input, prior to mailing it to potential offerors. Later in the RFP process, some Board members may be asked to participate in the interview process. Patti mentioned that she would contact Sheriff Stolle to update him on the Board’s decision to audit the Deferred Compensation Plan.

XII. Fee Disclosure, Taylor Benson
Segal Advisors included a bulletin in the agenda package on the Department of Labor’s final regulations on Fee Disclosure to DC Plan Participants for the board’s review at a later time. It was noted that the City’s Plan is not subject to ERISA rules, however, best practice is to abide by their rules where appropriate.

XIII. Potential Agenda Items for 2011:
Patti provided a list of potential items for discussion in 2011 (see items 1-5 below) and she asked if there were any other items to add to the list. (Item 6 was added)

1) Annual Report  
2) ROTH IRA Discussion  
3) Guaranteed Income Annuity Discussion  
4) Issue an RFP for an Audit of the Deferred Compensation Plan  
5) Board Education  
6) Review the IRS Regulations on Participant Fee Disclosure

XIV. Agenda Items for Next Meeting:
- ERISA Discussion – Fee Disclosure  
- De Minimis Discussion  
- Audit Update
XV. **Time and Date of the Next Meeting:**
The next meeting is scheduled for **Monday, June 20th, from 3-5pm** in the City Hall Building, Room 234.

XVI. **Adjournment:**
The meeting was adjourned at 4:45pm.

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Submitted by David Hartzog, Payroll Administrator

Approved by Chairperson, Patricia A. Phillips