

DEFINED CONTRIBUTION PLANS TRUSTEE MEETING MINUTES
Special Meeting
Wednesday, December 14, 2016

The Defined Contribution Plans Trustee Board of the City of San Diego held a special meeting in the Retirement System Boardroom. Location: 401 West A Street, 3rd Floor Boardroom, San Diego, California. The meeting was called to order at 3:08 p.m. by Estella Montoya.

Trustees Present: Julio Canizal, Robert Davis, Gail Granewich, Mark Hovey
Staff present: Estella Montoya, Gilda Smith, Bill Gersten attended the meeting late
Presenters: Chris Cooney (Financial Engines), Bill Cottle, Denise Jensen

1. ACTION ITEMS

- A. Elect Chairperson Pro-Tem for today's meeting.

Ms. Montoya called for nominations. Ms. Granewich nominated Mr. Hovey.
Approved (3-0), Mr. Hovey abstained.

- B. Dispense with the reading and approval of the minutes of August 31, 2016.

MOTION TO ACCEPT THE MINUTES OF August 31, 2016: Mark Hovey
SECOND: Gail Granewich
Approved (3-0), Mr. Davis abstained because he did not attend the meeting.

- C. Dispense with the reading and approval of the minutes of October 6, 2016.

MOTION TO ACCEPT THE MINUTES OF October 6, 2016: Mark Hovey
SECOND: Julio Canizal
Approved (3-0), Mr. Davis abstained because he did not attend the meeting.

- D. Dispense with the reading and approval of the minutes of November 17, 2016.

MOTION TO ACCEPT THE MINUTES OF November 17, 2016: Robert Davis
SECOND: Julio Canizal
Approved (3-0), Ms. Granewich abstained because she did not attend the meeting.

- E. Select Trustee to attend Wells Fargo's Sponsor Advisory Council annual meeting.

In recent previous meetings the Trustees expressed interest in participating in Wells Fargo's Sponsor Advisory Council (SAC). Ms. Montoya informed the Trustees the SAC annual meeting will be March 8-10, 2017. Ms. Montoya stated that she is aware some of the Trustees may have schedule conflicts, however Mr. Canizal is available to attend.

MOTION TO SELECT JULIO CANIZAL TO ATTEND WELLS FARGO'S SAC MEETING:
SECOND: Mark Hovey
Approved (3-0), Mr. Canizal abstained.
Gail Granewich

2. STAFF REPORTS AND INFORMATIONAL ITEMS

- Ms. Montoya provided a summary to the Trustees regarding the purpose of this meeting. The DOL made a recent change regarding fiduciary responsibility (financial advice to plan participants). Organizations are adjusting to the new rule. Wells Fargo contracted with Financial Engines to comply with the change. Financial Engines will present on how their organization assists plan sponsors with the new DOL rule.

Mr. Chris Cooney is a regional director with Financial Engines. Financial Engines is the largest registered investment advisor in the country. Financial Engines provides advisory services and management to participants in defined contributions plans. The burden is on the participant to decide how to invest their money. Financial Engines was founded in 1996 by Nobel Prize winner, Bill Sharpe for the sole purpose of helping participants achieving their retirement goals by offering independent advisory services to help them do that. Financial Engines has over 700 plan sponsor clients. Mr. Hovey asked Mr. Cooney how many of their clients are government clients? Mr. Cooney stated most of their plan sponsors are corporate. Their services include education on financial wellness, on-line advisory services, and management services.

Mr. Cottle requested Mr. Cooney to describe the fees for their services. Financial Engines' services can be available at no cost to the plan sponsor, provided Financial Engines can do their standard electronic communications campaign. There is no cost to participants for financial wellness education and on-line advisory services. There is a fee for management services based on percentage of assets. The tiered fee schedule is on page 30 of the Financial Engines presentation. Participants truly have challenges making these investment decisions on their own. Plan sponsors hire Financial Engines because they sign as a fiduciary for the plan and indemnify for the services they offer. They help employees reach retirement goals, reduce financial stress, and provide predictable retirement dates. They are objective and independent; they do not sell products and are not paid by any mutual fund companies.

Mr. Cooney referred to page 4 of his presentation. Financial Engines start their services with financial wellness that works through personalized communication to participants. It is available to all participants. Since Financial Engines works with the record keeper, it allows Financial Engines to proactively reach out to employees. Financial Engines can provide live events and personalized take action messages. They provide quarterly updates. Mr. Cooney proceeded to page 9 stating participants can build a plan—budgeting for retirement, healthcare, and social security. Financial Engines uses 70% as the pre-retirement income indicator. Mr. Cottle asked if there are three separate plans or one plan. Mr. Cooney stated it is one plan and participants can include these items. Mr. Cooney reviewed the participant experience of building a plan on pages 9-15. The website is a self-service site. Participants can use any portion of the service. The plan assists by providing a participant a true view of what he/she will have in retirement, where is that money coming from in retirement, and how will decisions today impact future outcomes. At the end of the plan, the site has the option for the participant to be directed back to the record keeper site to implement the recommended changes. At any time, participants can contact advisory services over the phone.

There are participants that want someone to manage their accounts for them. Participants would begin the process on the website. Mr. Cooney described the managed accounts process on pages 18-23. Participants can come in and out of their services at any time. The service is personalized and participants can call and speak to an advisor at any time.

A public attendee requested to speak. Mr. Hovey informed the attendee his question will be addressed during the public comment portion later in the meeting.

Financial Engines managed account service manages a participants' portfolio up to retirement and through retirement as long as assets are still with the record keeper. They will discuss with the participant how much can their portfolio generate on a regular or monthly basis through transition and through retirement. Five years before retirement, the portfolio is modified to more conservative. All participants have access to the advisors at any time. Ms. Granewich asked what the minimum qualifications of the advisors are. Mr. Cooney replied all advisors are a series 65 registered investment advisor, many have CFPs (Certified Financial Planner) or other designations. Ms. Granewich asked when services are provided, do advisors collaborate? Mr. Cooney stated there are teams of advisors; it is kind of a call center situation. The advice is consistent across all advisors for all participants. The engine does the forecasting and optimization. The engines are the advisor and the financial advisor representatives are interpreting the forecasting. This is monitored by their investment committee. Page 28 highlights Financial Engines communication plan. Fees are on page 30.

Mr. Davis asked for clarification of fees. Mr. Cooney stated if the plan sponsor has email addresses for a majority for the participants, the only fee would be for managed accounts. Mr. Davis asked if fees change once the participant is in retirement. Mr. Cooney stated the fee schedule remains the same.

Mr. Davis asked how often workshops are available? Mr. Cooney stated workshops can be available quarterly. Ideally workshops would be held at key/large locations for the biggest impact. A communications manager would be assigned to design a communication program.

Mr. Hovey stated there is overlap in the services already provided by Wells Fargo and Financial Engines. There may be confusion to our participants. Mr. Hovey asked Mr. Cottle what aspect of Financial Engines was he was specifically interested in. Mr. Cottle stated that Financial Engines would be in addition to Wells Fargo's services. Mr. Cottle had questions on page 15, does Financial Engines use the existing investment options within a plan? Mr. Cooney replied Financial Engines advise participants how to best utilize the investment options within their defined contribution plan. Financial Engines does not act as an advisor to plan sponsors. Mr. Hovey asked if participants are in the managed accounts, are participants advised to invest in options outside of the plan. Mr. Cooney replied no; Financial Engines will not tell participants to move money out of the plan into another plan. Mr. Cooney proceeded to inform the Trustees that participants are able to take a total portfolio view to include other outside assets. Financial Engines would not manage those outside assets but would provide advice. Mr. Cottle asked of the participants that he is working with now, what percentage take advantage of their services. Mr. Cooney replied, once their services are implemented 100% of the participants will receive a retirement evaluation, which is a personalized assessment. Participants who chose to engage with them further, 11.5% of participants use managed accounts. Another 10% utilizes on-line tools and another 10%-11% use modules for guidance. About 30% of participants engage in their services. Mr. Cottle asked what is the best way for the board to see the module in action. Mr. Cooney replied he could provide a demonstration in person at a later meeting, webinar, or provide demonstration accounts to the Trustees. Mr. Canizal requested demonstration accounts would be helpful to provide hands on experience.

Mr. Hovey asked Ms. Jensen if any public pension plans utilize Financial Engines. Ms. Jensen stated it is a newer relationship with Financial Engines and she is not familiar with other government entities that use Financial Engines. Mr. Hovey asked if Wells Fargo works closely with Financial Engines to ensure there is not redundant communication sent to participants. Ms. Jensen replied Wells Fargo will coordinate with Financial Engines. For example, Jonathan Scharmer would work closely with Financial Engines on the communication plan. Wells Fargo would fill any gaps that Financial Engines does not cover, for example a beneficiary campaign.

- Mr. Hovey asked permission from the Board to take an agenda item out of order to address public comment next. Mr. Ryan Arnold asked the Board for the name of the company of the last presenter. Mr. Hovey stated Mr. Chris Cooney from Financial Engines. Mr. Arnold stated it is lopsided and not fair to the people. It is one-sided and takes advantage of good people that want to invest in a certain area that they cannot get a return. He has invested in many companies and never heard a business plan like Mr. Cooney's.
- Ms. Montoya informed the Trustees the Wells Fargo participant communication has been completed. A copy of the communication is included in the Trustee binder under Informational Items. The communication will be included with the fourth quarter participant statements.
- Ms. Montoya reminded the Trustees the follow-up Wells Fargo items from the prior meeting was emailed to the Trustees on December 2, 2016. Mr. Hovey reviewed the items and does not have any questions. The other Trustees requested more time to review the documents to discuss at the next meeting. Ms. Jensen stated an updated SSAE 16/SOC 1 will be available in a few weeks and provided to staff.

3. COMMENTS FROM TRUSTEES, STAFF, ADMINISTRATOR, ATTORNEY

- Ms. Granewich observed the Board has been meeting monthly. She asked if the Board will continue to meet monthly. Ms. Montoya stated there are still more items to review regarding the Wells Fargo assessment. The January meeting may be cancelled. Staff anticipates the February meeting will remain and a March meeting may be scheduled.

4. PUBLIC COMMENT

None

Meeting adjourned at 4:13 p.m.

Backup documentation is available at Risk Management