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**SUBMITTAL TO THE BOARD OF SUPERVISORS
COUNTY OF RIVERSIDE, STATE OF CALIFORNIA**


FROM: Human Resource Department

SUBMITTAL DATE:
July 20, 2010

SUBJECT: 401(a) Part-Time and Temporary Employees' Retirement Plan - Investment Consultant, Investment Manager, Trust Agreement and Deferred Compensation Advisory Committee Oversight.

RECOMMENDED MOTION: That the Board of Supervisors 1) approve the appointment of U.S. Bank as the Investment Consultant, Investment Manager and Trustee for the County of Riverside 401(a) Retirement Plan for Part-time and Temporary Employees (the "Plan"); 2) adopt the new Trust Agreement (Attachment "A") commencing September 1, 2010 through June 30, 2015; 3) approve the U.S. Bank Fee Schedule (Exhibit 1); 4) adopt the new Investment Policy and Guidelines (Exhibit 2); 5) approve the oversight of the County's Deferred Compensation Advisory Committee to assure the financial stability of the Plan through prudent monitoring of investments and costs; and 6) authorize the Chairperson to sign four (4) copies of the Attachment A, retain one (1) copy of the signed document and return three (3) copies signed copies to Human Resources for distribution.

BACKGROUND: The County of Riverside Temporary/Part-time Employee Retirement Plan (Plan) is a qualified defined benefit pension plan that was implemented on April 1, 1999. On November 17, 1999 the Board ratified the Trust Agreement designating the County's Human Resources Director as the



Barbara A. Olivier
Asst. County Executive Officer/Human Resources Dir.

FINANCIAL DATA	Current F.Y. Total Cost:	\$ 0	In Current Year Budget:	Yes
	Current F.Y. Net County Cost:	\$ 0	Budget Adjustment:	No
	Annual Net County Cost:	\$ 0	For Fiscal Year:	2010/11

SOURCE OF FUNDS: No cost to the County. Fund fees are charged against the Funds assets.	Positions To Be Deleted Per A-30	<input type="checkbox"/>
	Requires 4/5 Vote	<input type="checkbox"/>

C.E.O. RECOMMENDATION:

APPROVE


BY: 
Karen E. Johnson

County Executive Office Signature

MINUTES OF THE BOARD OF SUPERVISORS

On motion of Supervisor Buster, seconded by Supervisor Ashley and duly carried by unanimous vote, IT WAS ORDERED that the above matter is approved as recommended.

Ayes: Buster, Tavaglione, Stone, Benoit and Ashley
 Nays: None
 Absent: None
 Date: August 10, 2010
 xc: HR, Treasurer, Committee, CØB

Kecia Harper-Ihem
 Clerk of the Board
 By: 
 Deputy

Prev. Agn. Ref.: 03/16/1999 - 3.26 | District: ALL | Agenda Number:

3.27

ATTACHMENTS FILED WITH THE CLERK OF THE BOARD

FORM APPROVED DON KENT, Treasurer-Tax Collector
 FORM APPROVED COUNTY COUNSEL BY: TAWNY O'LIEU DATE: 7/20/2010
 Departmental Concurrence
 Dept't Recomm.:
 Per Exec. Ofc.:
 Consent Policy
 Consent Policy

BACKGROUND (continued):

401(a) Plan Administrator and the County Treasurer as the Plan Trustee.

The Plan is designed to pay benefits in compliance with Safe Harbor Internal Revenue Service (IRS) Code Section 3121(b)(7)(F) in place of Social Security, for those employees not covered by CalPERS. Employer contribution rates are actuarially set each year; the employee rate is fixed at 3.75%. The Social Security tax is 6.2% of pay for both the employer and the employee. As a result of the differential between Plan rates and the Social Security tax rate, since the inception of the plan participants have saved approximately \$8 million and the County has saved approximately \$10 million in Social Security contributions.

Plan assets have increased significantly since the inception of the Plan and are now valued in excess of \$18 million. The County Treasurer Tax Collector has invested Plan assets almost wholly in fixed income securities and less than 1% in equities. These assets have attained a 3.5% five (5) year and 3.75% ten (10) year rate of return on investments.

Investment Consultant, Investment Manager and Trustee

The County Treasurer Tax Collector and Human Resources jointly recommend diversifying Plan assets and prudently increasing the Plan's equity exposure in order to achieve a 6% long-term investment rate of return to match the rate of return assumed by the Plan's actuary. Because of the complex nature of managing a diversified investment portfolio for a pension plan, the County Treasurer Tax Collector and Human Resources jointly recommended that the County retain an experienced Investment Consultant, Investment Manager and Trustee.

Human Resources, in collaboration with the Office of the Treasurer-Tax Collector, submitted Requests for Proposal (RFPs). Four bids were received as a result of the RFPs, and U.S. Bank was the most responsive of the bidders.

U.S. Bancorp, the parent company of U.S. Bank, is a multi-state financial holding company, and the 6th largest commercial bank in the United States. U.S. Bank is regulated by the Office of the Comptroller of the Currency and deposits are insured by the FDIC. With \$265 billion in assets as of September 2009, U.S. Bank provides a large portfolio diversification with counterparty risk to maintain due diligence and risk management. The senior unsecured debt ratings established for U.S. Bancorp by Moody's (Aa2), Standard and Poor's (AA), Fitch (AA-), and Dominion Bond Rating Service (AA) reflect the rating agencies' recognition of the strong, consistent financial performance of their company and the quality of their balance sheets.

If approved as the Plan's Investment Consultant and Investment Manager, U.S. Bank will assign a portfolio manager to the Plan who will advise the County on investment strategies and appropriate asset allocations using a disciplined process. U.S. Bank will diversify the Plan assets incrementally using the Dollar Cost Averaging method; it will also monitor the Plan's investments and rebalance them as needed in accordance with the Plan's Investment Policy and Guidelines (Exhibit "2"). The Investment Policy and Guidelines were developed jointly by the County Treasurer Tax Collector and Human Resources in collaboration with U.S. Bank. The Investment Policy and Guidelines provide the Portfolio Manager a framework to evaluate appropriate investments for the Plan and guides balancing risk/rewards behavior.

U.S. Bank, as the Plan's Trustee, will be responsible for the safekeeping of assets, transaction settlements, consolidated accounting and reporting, and payment distribution among other duties. With the Board's approval this Trust Agreement (Attachment "A") will supersede the Board's November 1999 designation of the County Treasurer as Trustee and will transfer all Plan assets on or after August 15, 2010 to U.S. Bank. Equity assets will be transferred "in-kind"; fixed securities will be liquidated and re-invested in a diversified portfolio over time as investment opportunities arise.

Committee

The Human Resources Director and the County Treasurer Tax Collector jointly recommend the Board's approval for assigning oversight to the County's Deferred Compensation Advisory Committee (the "Committee") to assure the financial stability of the Plan through prudent monitoring of investments and costs. Members of the Committee will be Plan fiduciaries and will perform functions for the Plan similar to which they perform for the County's Deferred Compensation plans. These functions include:

- ◆ Recommending the appointment of a Trustee and Investment Manager to the Board of Supervisors.
- ◆ Amending the Plan Investment Policy and Guidelines as needed.
- ◆ Monitoring and supervising the investment performance of the Plan.

Currently, the Committee is comprised of the following five (5) members:

- ◆ Member of the County Board of Supervisors
- ◆ County Executive Officer
- ◆ Assistant County Executive Officer/Human Resources Director
- ◆ Treasurer/Tax Collector
- ◆ Auditor/Controller

The Committee will typically convene no less than annually to evaluate Trustee and Plan investment performance.

U.S. Bank's Fund fees and compensation (Exhibit "1") will be charged against Plan assets and are estimated at \$140,408 annually. There is no direct cost to the County for the approval and adoption of the recommended actions. Fees are paid from Plan assets.