


ATTACHMENT 2



MEMORANDUM

Date: September 27, 2017

To: The Honorable Sharon Bronson, Chair
Pima County Board of Supervisors

From: C.H. Huckelberry
County Administrator 

Re: **457(b) Deferred Compensation Plans**

The Human Resources Department retained the services of CBIZ Retirement Plan Services, a division of Pima County's insurance consultants, to review the three 457(b) deferred compensation plans Pima County currently offers to employees. The CBIZ report was completed in October 2016 and was attached to the original materials submitted to the Board of Supervisors for the September 5, 2017 meeting.

As part of its review, CBIZ contacted the administrators of all three of the current plans to discuss possible improvements to the plans. The CBIZ report provided several short-term recommendations and concluded with a recommendation that the County issue a request for proposals for "a single provider on an open architecture platform." None of the three existing plans offer this type of structure. In an open architecture structure, employees can invest not only in the products offered by the plan administrator, but can direct that their funds be invested in products offered by other financial institutions. This flexibility is now common in deferred compensation plans.

Based on the recommendation from the County's insurance consultant, the Human Resources Department began working with the Procurement Department to develop a Request for Proposals (RFP) for a new deferred compensation plan with an open architecture to be provided by a single provider. Prior to issuing the RFP, however, the Procurement Department learned that the Arizona State Retirement System (ASRS) had issued a similar RFP for both its 401(a) and 457(b) plans and was in the process of selecting a single provider using an open architecture. The ASRS selection process concluded in early 2017. The ASRS plan is designed to allow other Arizona jurisdictions, including Pima County, to join the plan so that County employees may participate. To date, 52 other jurisdictions, including 7 other counties and the Maricopa Integrated Health Services, have joined the ASRS 457(b) Plan.

In addition to the 457(b) deferred compensation plans, since 2008, Pima County has offered employees the opportunity to participate in the ASRS' 401(a) Supplemental Retirement Savings Plan, rather than directly contracting with a plan administrator for a County-only 401(a) plan. The ASRS 401(a) plan is administered by Nationwide. The recent RFP by the

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ASRS that was used to select Nationwide for its 457(b) plan included other ASRS plans, including the ASRS 401(a) retirement plan that Pima County uses.

Pima County's three 457(b) plans have a combined asset value of approximately \$145 million, whereas the State ASRS plan has an asset value of more than \$1.06 Billion, more than seven times the value of the County's plans. The County's three deferred compensation plans have 1,496 participants, or about 20 percent of County employees who participate in the deferred compensation plans. The ASRS plan has more than 26,000 participants, roughly 17 times as many participants as Pima County, providing ASRS with the purchasing power to obtain better terms than a smaller plan would. By joining the ASRS plan, Pima County receives the benefits of the State's economy of scale. It is unlikely any RFP issued by Pima County would yield better results than the ASRS plan, which concluded its RFP process less than six months ago.

Your September 5, 2017 memorandum concluded with a recommendation that Pima County seek a competitive bid. We agree that competitive processes for awarding contracts is the best way to minimize costs. Pima County does, however, frequently take advantage of the competitive processes already conducted by other jurisdictions to award our own contracts. As shown in Appendix 1, last fiscal year, the County entered into contracts of more than \$40 million relying on the competitive procurement of pricing by other jurisdictions. This fiscal year, the County has already entered into contracts for more than \$30 million based on the RFPs used by other jurisdictions. For the ASRS deferred compensation plan being recommended, a detailed RFP was issued.

Your memorandum refers to recent bids from Empower, ICMA and VOYA. As shown in Appendix 2, the proposals from four companies were evaluated by the ASRS, including two of the three mentioned in the memorandum. Those companies were Empower (also known as Great West Retirement Services), Nationwide, Prudential, and VOYA. Both Nationwide and Prudential are currently the plan administrators for Pima County. We believe the County would not obtain more favorable bids from these companies than were made by them to ASRS earlier this year given Pima County's much smaller pool of investments and participants.

A question was raised regarding whether there is "revenue sharing" occurring in the ASRS plan. The plan documents specifically prohibit revenue sharing. The ASRS RFP states:

"3.1.4. The Contractor shall administer a fee equalized line up by offering institutional share classes that reimburse or share no revenue with the Contractor. If an investment option does continue to produce administrative reimbursements to the Contractor, those reimbursements shall be credited back directly to the member accounts that generated them at least on a quarterly basis. The Contractor shall obtain its compensation by assessing an explicit fee on member assets."

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A question was also raised whether the ASRS plan administrators would provide adequate representation to Pima County employees. Nationwide has two representatives that reside in the Tucson area. One of these representatives has been assigned to Pima County for the past seven years and is currently representing the more than 900 participants who are members of the County's Nationwide plan. Nationwide indicates that, like other providers, it typically will have a representative servicing 5,000 to 6,000 participants. For those County employees already in the County's Nationwide plan, there would be no change in representation if Pima County participates in the ASRS plan. The ASRS plan also has certain metrics regarding participant satisfaction and services and provides for liquidated damages if such metrics are not met. Appendix 3 is a listing of those metrics and damages.

A final issue for the Board to consider is the County's responsibility to provide fiduciary oversight of the 457(b) plans, which can be a complex, time-consuming task. A 457(b) plan sponsor's fiduciary duty is to select, monitor and prudently review the performance of plan providers including the plan's fees, costs and investments. Historically, the County has not monitored the fees charged or the investment performance of its plans. By participating in the ASRS 457(b) deferred compensation plan, the County participants will benefit from the fiduciary oversight conducted by management committee established by the ASRS's Board of Trustees for the deferred plans. The management committee members include the following ASRS personnel:

- Executive Director
- Investment Management Division member, as determined by the Executive Director
- Procurement Officer
- Public Affairs Officer
- Chief Financial Officer

The ASRS Board has established investment guidelines, the Arizona State Retirement System Supplemental Salary Deferral Plan (SSDP) Investment Policy Statement, attached as Appendix 4, for direction to the management committee's fiduciary oversight. If the County decides to have its own separate deferred compensation plan, we will need to establish a management committee to perform these fiduciary duties.

CHH/mjk
Attachments

c: The Honorable Members, Pima County Board of Supervisors
Tom Burke, Deputy County Administrator for Administration
Allyn Bulzomi, Director, Human Resources
Keith Dommer, Director, Finance and Risk Management

Appendix 1

List of Cooperative Agreements for Pima County

Cooperative Procurements Awarded by the Board

FY 16/17 Total YTD \$30,925,000

- Telephone Equipment, \$300,000/year, US Communities co-op
- Janitorial & Cleaning Supplies, \$800,000/year, NIPA co-op
- Software Reseller, \$7.7 million*/year, State of AZ
- Emergency Code Equipment, \$1.3 million, City of Tucson
- Furniture, \$3.5 million, State of AZ and Board of Regents(Universities)
- Software Reseller, \$17.325million/5 years, State of AZ

FY15/16 Total \$40,793,942

- Combo Sewer trucks (2), \$677,342, Houston, TX area cooperative
- Office Supplies, \$1.1 million/year, NJPA co-op
- HP Computers, \$8.525 million/year, State of AZ
- Dell Computers, \$500,000/year, State of AZ
- IBM Computer Hardware, \$2.4 million/3 years, State of AZ
- Telecommunication Services, \$738,600/year, State of AZ
- Multi-functional Devices, ~\$3.03 million/3 years, State of AZ
- Verizon Wireless Service & Equipment, \$3.75 million/3 years, State of AZ
- Aerial Photography, \$1.57 million/6years, Maricopa County
- Library E-rate equipment, \$1.8 million/4+years, Mohave Educational Services Coop
- AT&T Wireless Service & Equipment, \$1.26 million/3 years, State of AZ
- Audio Books, \$443,000/year, Maricopa County
- Election Printing Services & Materials, \$15 million/5 years, Maricopa County

Appendix 2

ASRS Evaluation Sheet



Douglas A. Ducey
Governor

Craig Brown
Director

ARIZONA DEPARTMENT OF ADMINISTRATION

STATE PROCUREMENT OFFICE

100 NORTH FIFTEENTH AVENUE • SUITE 201
PHOENIX, ARIZONA 85007

(602) 542-5511 (main) (602) 542-5508 (fax)
<http://spo.az.gov>

The members of the evaluation committee have completed their review of proposals and any subsequent best and final offers received in response to **Solicitation No. ADSP016-00006008**, for **Deferred Compensation and Defined Contribution Plans** and have reached consensus. Based on the detailed evaluation of the individual proposals, it would be in the best interest of the State to award a contract to:

Nationwide

As a participating member of the evaluation committee, I agree with the information provided in the attached document and concur that the consensus scoring is a complete and accurate reflection of the committee's agreement regarding the evaluation of the proposals received.

Offeror	Capabilities, Experience, and Expertise (Max of 340 Points)	Method of Approach (Max of 290 Points)	Fees – Fee Schedule (Max of 270 Points)	Adherence to the Terms and Conditions (Max of 100 Points)	Total Points (Max of 1000 Points)
Great West Retirement Services	340	116	202.5	0	659
Nationwide	340	218	270	100	928
Prudential Retirement	136	116	202.5	0	455
Voya	136	116	202.5	0	455

John A. Bogert
John Bogert Date 12/20/16

Leslie R. Hess
Leslie Hess Date 12-20-16

Paul Watson
Paul Watson Date 12-21-16

Michael Smith
Michael Smith Date 12-19-16

David Reber
David Reber Date 12-20-16

Stephen Naffias
Stephen Naffias Date 12/19/2016

Evaluation Report Solicitation No. ADSPO16-00006008 Deferred Compensation and Defined Contribution Plans		Offeror A - Great West Retirement Services (Empower)		Offeror B - Nationwide		Offeror C - Prudential Retirement		Offeror D - Voya	
Grand Total		659		928		455		455	
Capabilities, Experience, and Expertise	340	Exceeds Expectations	340	Exceeds Expectations	340	Below Expectations	136	Below Expectations	136
		Strengths: Great West (Empower) will act as the administrator, but not the investment fiduciary. A third party, LeafHouse will act as investment fiduciary. The quoted fees include both the Administrator and Fiduciary Services		Strengths: Single company, Nationwide, will act as Administrator and Investment fiduciary. Having one firm providing all services and also acting in a fiduciary role allows for non-bifurcated oversight by the Committee, clearer integration of services, a single point of vendor contact, and a single point of vendor responsibility.		Weaknesses - Prudential will act as Administrator and investment fiduciary, under the "MoM" program for institutional separate accounts only. They will not act as fiduciary for retail mutual funds and recommend the State utilize the services of an independent third party advisory firm for such funds. The result would be multiple fiduciaries depending on investment products.		Weaknesses - Stated that they will not act as a fiduciary. Voya proposed that the State contract separately for investment fiduciary services. Result would be an additional RFP to be issue, an additional vendor to be overseen, and new integration issue to be considered.	
Method of Approach	290	Below Expectations	116	Meets Expectations	218	Below Expectations	116	Below Expectations	116
		Meets - Staffing and Member Service - 1 Client Relations Director (local), 6 Retirement Planning Counselors.		Meets - Staffing 7 total people 4 FTE equivalent personnel working on account.		Weakness - Transition Plan - Move all users to a Target Date Fund unless they opt-out.		Strengths - Customer Service - 15-20 CSR working on account assigned to Arizona	
		Weakness - Committee Admin Assistance - Great West did not indicate that they will provide Committee Assistance noted in Section 3.20 of the SOW.		Strength - Nationwide has 16 Customer Service Representatives assigned to the State plans.		Weaknesses - Staffing & Member Service - 3 Retirement Consultants (for each region), 2 Office Managers,		Weakness - Committee Admin Assistance - Did not indicate support for required monthly meetings (hosting, addressing, etc.	
		Weaknesses - Did not assign a dedicated group of Customer Service Representatives to the plan. Uses generalized call center and everyone handles all plans.				Weaknesses - Cap placed on amount of penalties they were willing to pay to a maximum of \$125K.		Weaknesses - Staffing and Member Services - While there are a number of reps assigned, VP and Plan Manager are not on site and are spending less than 50% of time working on Arizona account.	
						Weakness - Committee Admin Assistance - Prudential did not indicate that they will provide Committee Assistance noted in Section 3.20 of the SOW.			

						Weakness - No Customer Service Representatives assigned specifically to the State plans.			
Fees - Fee Schedule	270	Meets Expectations	202.5	Exceeds Expectations	270	Meets Expectations	202.5	Meets Expectations	202.5
Five (5) Year Fee BPS		0.20%		0.07%		0.07%		0.175%	
		Weaknesses - Fee structure was significantly higher using the Committed recommended plan		Strength: Quote based on committee recommended plan verses Administrator preferred plan		Weaknesses - Fee Structure was based on MoM program and did not include fees for a third party fiduciary for retail mutual funds.		Weaknesses - Fees did not include the cost of an investment fiduciary and were significantly higher than others.	
		Weaknesses - 0.09 BPS Fee Structure was based on Administrator preferred plan.							
Adherence to the Terms and Conditions	100	Unacceptable	0	Exceeds Expectations	100	Unacceptable	0	Unacceptable	0
Adherence		Weaknesses - Exceptions taken to Sections included Below: 1) Indemnification 2) Most Favored Pricing 3) Information Security and Data Privacy - Showstopper for State of Arizona 4) Unauthorized Access 5) Tax Indemnification 6) Risk of Loss 7) Termination and Default 8) Insurance Requirements		No exception taken.		Weaknesses - Exceptions taken include Sections Below: 1) 2.3 2) 3.7, 3.8, 3.9 3) 5.2 4) 9.2 A, 9.4B, 9.4 C,9.4E, 9.4G, 9.5 - 9.5.2 5) 11 6) 12.0 7) 14.1 8) 16.1 and 16.3 9) 19.2.3, 19.2.3.44, 19.3		Weaknesses - Exceptions Taken to Sections Below: 1) Scope of Work - 4.0, 4.1, 4.1.1, 4.1.2, 4.1.3, 4.2, 4.3, 4.4 2) Special Terms & Conditions - 8.0 - Indemnification 3) Uniform T&C's - 8.2., 8.2.1 - Stop Work Order 4) 9.5, 9.5.1, 9.5.2, 9.5.3 - Termination and Default	

Rating Definitions for Criteria other than Rate/Cost

Exceeds Expectations	Proposal meets all requirement(s) outlined in the RFP and provides innovative or exceptional responses. (100% of Points)	For each of evaluation criteria, a determination was made regarding how well the proposals satisfied the stated requirements. The rating definitions, found here, formed the basis for determining the scores assigned to each proposal. The strengths and weaknesses fields were used to note strengths and weaknesses of the proposal.
Meets Expectations	Proposal meets requirement(s) outlined in the RFP. (75% of Points)	
Below Expectations	Proposal does not fully meet or does not completely address requirement(s) of the RFP. (40% of Points)	
Unacceptable	Elements of the proposal are unacceptable to the State. (0% of Points)	

Appendix 3

ASRS Metrics and Liquidated Damages for 457(b) Plan Administrator



Request for Proposal (RFP) Exhibits

State of Arizona
State Procurement Office
100 N 15th Ave., Suite 201
Phoenix, AZ 85007

Solicitation No.: ADSP016-00006008

Description: Deferred Compensation and Defined Contribution Plans

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Exhibit K PERFORMANCE MEASURES and LIQUIDATED DAMAGES

<i>Service</i>	<i>Performance Measure</i>	<i>Goal</i>
Enrollment	Accomplished within two (2) business days of receipt of completed application. <i>Liquidated Damage: \$50 x Enrollments Per Month Less Than 99%</i>	99%
Investment Option Changes and Transfers	Accomplished same business day. <i>Liquidated Damage: \$50 x Changes and Transfers Per Month Less Than 99%</i>	99%
Deferral Changes or Stops	Provide written confirmation within two (2) business days of the date on which the member makes the change. <i>Liquidated Damage: \$50 x Deferral Changes or Stops Per Month Less Than 99%</i>	99%
Deferral/Contribution Processing	Member accounts credited within one (1) business day on which deferrals/contributions are made available to Contractor. <i>Liquidated Damage: \$50 x Deferrals/Contributions Per Month Less Than 99%</i>	99%
Payouts	Processed and mailed to member within two (2) business days of receipt of completed application. <i>Liquidated Damage: \$100 x Payouts Per Month Less Than 99%</i>	99%
Unforeseen Emergencies/Financial Hardships	Processed and mailed to member within two (2) business days of receipt of completed application. <i>Liquidated Damage: \$100 x Hardships Per Month Less Than 99%</i>	99%
Loans	Processed and mailed to member within ten (10) days of receipt of completed application. <i>Liquidated Damage: \$50 x Enrollments Per Month Less Than 99%</i>	99%
Statements	Mailed to members within fifteen (15) days of end of quarter. <i>Liquidated Damage: \$2500 per Quarter Less Than 99%</i>	99%
Annual Member Satisfaction Survey	Number of members rating administration "satisfactory" or better. <i>Liquidated Damage: \$5000 per Survey Less Than 85%</i>	85%
Interactive Toll-Free Telephone System	a. "Get Through" rate. <i>Liquidated Damage: \$2500 Per Month Less Than 96%</i>	96%
	b. Maximum number of calls receiving a busy signal. <i>Liquidated Damage: \$2500 Per Month Greater Than 4% Calls Receiving A Busy Signal.</i>	4%
	c. Calls answered within 20 seconds of first ring. <i>Liquidated Damage: \$2500 Per Month Greater Than 4% Calls Answered Within 20 Seconds of First Ring.</i>	85%
	d. Maximum number of calls answered between 20 and 90 seconds of first ring. <i>Liquidated Damage: \$2500 Per Month Greater Than 10% Answered Within 20 Seconds of First Ring</i>	90%
	e. System available 24 hours per day, 7 days per week. <i>Liquidated Damage: \$5000 Per Month Less Than 99%</i>	99%
<i>Maximum Total Liquidated Damage: \$5000 Per Month</i>		
Internet Availability	a. Number of online transactions processed within 5 seconds or less. <i>Liquidated Damage: \$20 x Transactions Per Month Less Than 99.5%</i>	99.5%
	b. System available 24 hours per day, 7 days per week except for scheduled maintenance. <i>Liquidated Damage: \$5000 Per Month Less Than 99%</i>	99%
Governing Committee Assistance	Agenda, draft minutes of previous monthly meeting and other relevant information provided to Governing Committee members 7 days in advance of next meeting. <i>Liquidated Damage: \$2500 per Agenda or Draft Minutes Not Provided 7 Days In Advance of Meeting</i>	90%

Appendix 4

ASRS Investment Policy Statement

Arizona State Retirement System
Supplemental Salary Deferral Plan (SSDP)
Investment Policy Statement

August 24, 2017

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1. Overview of the Plan's Administration

The Plan

The Arizona State Retirement System (ASRS) Supplemental Salary Deferral Plan (SSDP) 457 defined contribution plan (Plan) is an eligible tax-deferred savings Plan adopted for the exclusive benefit of participating employees and their beneficiaries. The Plan is authorized under section 457(b) of the internal Revenue Code (IRC). The Plan offers eligible employees a convenient tax-deferred savings vehicle to save additional funds for retirement. The Plan permits participants to direct the investment of their pre-tax contributions.

The responsibility for the amount of pre-tax contributions belongs to each participant. Eligible employees are responsible for:

- Determining how much to contribute as a deferral of their pay, up to a limit each calendar year;
- Deciding whether to use the Plan's withdrawal and loan provisions; and,
- Allocating their monies among the investment options offered by the Plan.

The SSDP is intended to provide eligible employees the opportunity to generate long term accumulation of supplemental savings through tax-deferred and Roth-type employee contributions and the earnings thereon that are placed in individual participant accounts. The Plan is designed to assist SSDP participants in preparing for a portion of their retirement income needs.

The Plan is an employee benefit plan intended to comply with all applicable federal laws and regulations. The ASRS Board has delegated oversight of the SSDP to the ASRS SSDP Management Committee (Committee). The Committee will monitor and approve Plan investment options in concert with the Investment Consultant. It is the intent of the Committee to provide a range of investment options under the Plan that will enable participants to invest according to varying risk tolerances, savings time horizons, and various financial goals. The investment options offered under the SSDP shall be administered solely in the interests of Plan participants and their beneficiaries. A written record of the decisions and steps taken in connection with the monitoring of the Plan's investment options will be maintained.

The Purpose of the Investment Policy Statement

The Investment Policy Statement (IPS) is intended to assist the Committee and Investment Consultant in effectively structuring an appropriate investment menu and monitoring investment performance by adopting a set of guidelines for the selection, periodic review, and evaluation of the Plan's investment options. These guidelines are an explanation of the general principles established for the selection, retention, and replacement of the investment options. Specifically, the IPS is intended to:

- Define investment objectives for the Plan;
- Describe a range of diversified investment options along the risk-return spectrum to assist participants in their investment decision making;
- Describe the criteria and procedures the Plan will use in selecting investment options;
- Define procedures for the ongoing monitoring and evaluation of investment options; and, Describe criteria to determine whether the investment options will continue to be made available to participants.

The IPS may be reviewed any time the Committee deems it appropriate. Each year the Committee will consider whether review of the IPS is appropriate with a presumption that a review is appropriate at least every three years by the Committee. If appropriate, the Committee may recommend that the IPS be amended to reflect changes in the capital markets, Plan participant objectives, Plan demographics, legislative and regulatory changes, and other factors relevant to the Plan.

Statement of Objectives

The SSDP will enable Plan participants to take an active role in their supplemental tax-deferred savings by providing education and information so they may make informed decisions about participation and investment option selections. The Plan's investment options will be selected to:

- Provide returns comparable to the appropriate peer group and benchmark for the asset categories;
- Provide opportunities to diversify across the risk-return spectrum with a range of investment choices within varied asset categories; and,
- Control or moderate administrative, management, and participant costs.

Employee Retirement Income Security Act (ERISA)

Government plan sponsors and plans are exempt from titles I and IV of the Employee Retirement Income Security Act of 1974 (ERISA), but it is becoming increasingly clear that ERISA provides a standard against which many plans and their fiduciaries are measured. Therefore, in order to provide a consistent and defined set of guidelines for making decisions, many governmental plan sponsors and fiduciaries govern themselves in accordance with the spirit, if not the letter, of ERISA, unless state law prescribes otherwise. This document, therefore, has been drafted to take into account the general fiduciary duties outlined in ERISA.

Roles and Responsibilities of Various Parties Involved

There are many sources of authority that govern the creation of the Plan itself, the Plan's continued operation, as well as the activity of fiduciaries associated with the Plan. For example, federal and state law govern the operation of eligible 457(b) tax-deferred savings plans and require eligible employers to follow the terms of the Plan and maintain the Plan in compliance with applicable law.

The ultimate authority to establish the investment structure, prepare, amend, or adopt the Investment Policy Statement, and to select and review investment options resides with the Arizona State Retirement System. The ASRS may retain those functions, appoint specific officers or a committee to fulfill those functions, or outsource the functions to a third-party administrator. Both the ASRS and the Investment Consultant, Nationwide Retirement Solutions, are designated Investment Fiduciaries and are charged with the responsibilities and authority provided in the Investment Policy Statement. The Plan Administrator and Investment Consultant are fiduciaries concerning all matters related to the Plan over which it has control. In addition, the Plan Administrator will provide investment and administrative analysis, support, and guidance to the Committee.

The roles and responsibilities of each fiduciary are highlighted below:

Arizona State Retirement System:

- Approval of the duties and responsibilities of the SSDP Management Committee
- Approval of legally required changes

SSDP Management Committee members include the following ASRS personnel:

- Executive Director
- Investment Management Division member, as determined by the Executive Director
- Procurement Officer
- Public Affairs Officer
- Chief Financial Officer

The Committee is generally responsible for:

- Selection and retention of the Investment Consultant
- Selection and retention of the Plan Administrator
- Selection and termination of investment options
- Establishment and maintenance of the IPS
- Reviewing fees and expenses
- Evaluating, in conjunction with the Investment Consultant, the performance of the investment options on, at least, a quarterly basis and recommending investment option changes as appropriate
- Monitoring Plan-related education and communication to augment investment option Information

Investment Consultant is responsible for:

- Guiding the Committee through a disciplined investment review process
- Analyzing and recommending investment options
- Measuring investment performance on, at least, a quarterly basis, including comparisons to established peer groups and benchmarks
- Monitoring performance and changes at fund management firms
- Supplying the Committee with a quarterly quantitative performance report covering all investment options (where data is readily available)

Plan Administrator is responsible for:

- Enrolling employers that choose to adopt the ASRS SSDP
- Maintaining records of each Plan participant's and beneficiary's account balances
- Arranging for contributions to and investments in a participant's account to be allocated to the investments under the Plan
- Sending periodic record keeping reports and communications to the SSDP Committee and each Plan participant and beneficiary
- Sending any communication that is required
- Administering and accounting for Plan loans
- Making plan benefit payment distributions
- Administering the spousal consent requirements applicable to the Plan
- Maintaining records of each participant's designated beneficiary(ies)
- Seeing to the performance of any required withholding of income tax from distributions and withdrawals
- Purchasing or redeeming shares of the investments offered under the terms of the Plan
- Delivering all notices, prospectuses, financial statements, or the mutual fund shares held in a participant's Plan accounts
- Providing investment and savings education to Plan participants
- Providing reports to the ASRS on behalf of its employers concerning employee elective deferrals in order to aid in their compliance with the applicable limits on employee elective deferrals in sections 402(g) and 414(v) of the IRC
- Other activities and services as noted in a separate Administrative Services Agreement, if executed, and the Scope of Work as outlined in the Request for Proposals

2. Investment Structure

Overview of Investment Structure

The investment structure of the Plan will allow participants to create portfolios by allocating their funds among a group of prudently selected and monitored investment options that together constitute a broad range of asset classes and investment styles (together "asset categories). The Committee will review the Plan's investment structure each three years unless determined otherwise by the Committee.

In addition, the structure may include asset allocation funds, risk profile funds, and/or retirement age funds, which will enable participants to direct the investment of their accounts into a single diversified vehicle.

Investment Options: Broad Range Coverage

The Plan will offer a broad range of investment options so that each participant and beneficiary has a reasonable opportunity to materially affect the potential return and degree of risk relating to his or her accounts, to choose from diversified investment options, and to diversify his or her investment to reduce risk. Therefore, the Plan will offer a selection of open-ended registered investment companies (i.e., mutual funds) or similar investment options, each of which consists of internally diversified (in the context, internally diversified means that the fund invests in a variety of underlying investments and not simply the stock and bond offerings of a few organizations) portfolios within their asset categories.

In the process of selecting the Plan's investment options for review, the Investment Consultant will first review the asset categories intended to satisfy the broad range requirement. At a minimum, the Plan's investment options should provide participants the opportunity to invest in at least the following asset categories:

- Stable principal value or cash equivalents
- Domestic bonds
- Domestic equities
- International equities
- Asset Allocation Funds

Additional asset categories may be reviewed and recommended by the Investment Consultant and presented to the Committee. Once the asset categories have been reviewed, the Investment Consultant will identify one or more investments to represent each of the asset categories.

Asset Allocation Funds

Target date suite of funds may be offered, and are professionally allocated investment options where the risk profile of the fund changes over the life of the fund. The fund will have a more aggressive risk profile initially and will gradually get more conservative as the fund approaches the stated target date. The Committee should consider the following when selecting and evaluating Target date investment options.

- **Glide Path** – The glide path determines how the ratio of equity, fixed income and cash allocations change over time. The glide path of the target date suite of funds should be sufficient to ensure a moderate level of risk for participants over time.
- **Termination** – The glide path of the fund should continue to be modified *through* the targeted date of the fund as opposed to terminating *at* the targeted date of the fund.
- **Fund Construction** – The investment options comprising the fund should be sufficient to ensure proper diversification for investors. In addition, the active versus passive nature of the rebalancing, as well as of the underlying funds or investments, should be considered.
- **Risk/Return Profile** – The funds should exhibit a risk return profile that is competitive with their peers.
- **Expenses** – The expenses of the funds should be in the bottom half of the peer group.

Brokerage Accounts

The Committee may offer participants the opportunity to invest in additional investment alternatives through self-directed brokerage accounts offered by the Plan Administrator. The investment alternatives in the self-directed brokerage accounts are not classified as designated investment options under the SSDP. The investment alternatives available through the self-directed brokerage accounts are not reviewed, selected, or monitored by either the SSDP Management Committee or the Investment Consultant, and may therefore require investment expertise or advice to prudently manage, and may have greater risk of

material loss. The Investment Consultant will notify self-directed brokerage account participants of the potential greater risks of investing through a self-directed brokerage account.

Investment Accounts Without Participant Direction

A Qualified Default Investment Alternative (QDIA) will be established for participants who do not select an investment option upon enrolling in the plan. The QDIA will be selected in the spirit of the Department of Labor regulations proposed on September 27, 2006 and further clarified on October 24, 2007, that allow for a safe harbor from fiduciary liability for the investment outcomes. The Committee will designate the default investment option as the target date fund closest to a participant turning 65 years of age, as the QDIA for any participant who does not affirm an investment option.

Investment Education for Participants

The Investment Consultant will provide participants with general financial and investment information, including asset allocation material to educate and assist them in making their allocation decisions. Participants will be provided with a questionnaire and/or other means that assist in measuring their individual risk tolerances and/or investment time horizons so that an appropriate risk-adjusted portfolio may be selected based on the results of that questionnaire or other means. Participants may then select from the investment options offered by the Plan to build their own asset allocation portfolio consistent with their individual risk tolerance and/or investment time horizon.

The Investment Consultant and Plan Administrator shall provide disclosures required by applicable law. The Committee shall not offer or provide advice to any SSDP participant. It will be communicated to participants that they are in control of their investments and that they have the ability to change allocations as often as they feel is appropriate to meet their needs. The participant shall have the responsibility to select investment options, and shall have full individual choice among the funds or accounts offered by the SSDP. The Committee and the Plan Administrator will address participant education needs and will assess whether the quantity and quality of Plan participant education and communication is appropriate. Plan participant education may be achieved through a variety of channels including printed materials, websites, group meetings, and individual counseling.

Investment Provider Assessment

The Investment Consultant shall conduct a periodic assessment of the companies providing the asset management of the investment options and report to the Committee the results of the assessment. The Investment Consultant will present the Committee with investment analysis as well as any other information that the Committee finds valuable in fulfilling its responsibilities. At a minimum, the assessment should include a review of the following:

- History of the firm
- Management and ownership structure
- Financial stability of the company issuing the investment option
- Investment philosophy
- Any material legal or ethical violations pending or concluded

Additional aspects of the investment provider may be reviewed at the discretion of the Committee. In addition, the Committee and the Investment Consultant will conduct quarterly reviews of investment returns against standard benchmarks applicable to the investment option.

3. General Requirements for all Investment Options

All SSDP investment options other than the self-directed brokerage account alternative should maintain the following characteristics:

- **Diversification by Holdings:** The number and composition of available investment options should sufficiently provide a broad breadth of representation of an asset class or investment strategy.
- **Competitive Fee Structure:** The impact of fees on the long-term performance of the investment options within the Plan shall be an important consideration. Overall expenses, including sales loads, 12b-1 fees, administrative charges, and mortality and expense charges (for annuity

accounts) can significantly detract from long-term performance. The total expense ratio will be reviewed as part of the investment selection and monitoring process. No mutual funds with front-end or back-end sales charges shall be allowed. All fee information should be adequately disclosed to participants.

- **Track Record of Investment Option:** Each investment option should have a minimum track record of three years during which the same portfolio management team managed the investment. The three-year requirement may be waived at the discretion of the Committee if the manager has a proven track record of managing assets in the category under consideration, or if the investment is an “index” strategy.
- **Track Closely to their Stated Investment Objective:** Each investment option’s objective should remain consistent with the option’s role within the SSDP’s overall investment structure.

Proxy Voting Guidelines and Document Retention

- Security-level proxy ballots within the designated investment options will be voted by the fund manager or their designee, who is the individual or firm responsible for managing the assets of the designated investment option.
- Investment option-level proxy ballot proposals will be voted by the SSDP Investment Consultant and should be voted in the best interests of the participants. In general, the Investment Consultant will vote against proxy proposals that may result in:
 - i. An increase in investment option expenses and charges;
 - ii. Uncompensated increased risk to investment option holder; or,
 - iii. A change in investment style or allocation inconsistent with current investment option objectives and style classifications as described in the investment option prospectus.
- Investment option-level proxy ballot information will reside with the Investment Consultant and, upon request, will be available for review by the Committee.

Securities Lending

The SSDP investment option managers may exercise their ownership rights to allow securities lending.

Market Timing

In order to protect the assets of the Plan and its participants, the Plan may, from time to time, adopt policies to prevent, limit, or implement charges pertaining to market timing. These policies would be implemented if it was determined that the market timing activities of participant(s) was detrimental to the best interests of the other participants or investors. The Plan may be required to implement more restrictive or different policies immediately and without notice to protect the interests of all Plan participants.

Blackout Periods

A blackout period is defined as a period during which the participants or beneficiaries in an individual account plan are limited or restricted from their normal right to direct or diversify assets in their accounts or obtain distributions.

A blackout period could occur in the event that the Investment Consultant or Plan Administrator is changed, or investment options are changing or being considered for change. For instance, transfer of Plan or participant data leading up to the change for the current SSDP Plan Administrator to the new Plan Administrator may require a data reconciliation and accounting period where transactions and activity is frozen and suspended.

4. Standards for Selecting, Monitoring, and Removing Investment Options

Overview of Portfolio and Performance Standards

The Committee, and upon the advice and recommendation of the Investment Consultant, will prudently select, monitor, and, where appropriate, add or remove investment options. The investment options will be selected from among a universe of investment options such that there is reasonable assurance that an

adequate number of options have been reviewed, and a reasonable number made available to Plan participants. The Investment Consultant or its affiliate(s) will provide the Committee with analyses which will include, but not be limited to, performance and other quantitative and qualitative information regarding existing and/or prospective investment options. In addition, the Investment Consultant or its affiliate(s) will provide the Committee with monitoring and evaluation of fund services and, as requested, provide expert guidance regarding investment options and plan administrative matters.

Selecting Investment Options

For the selection of investment options, the Committee will evaluate a reasonable universe that may include mutual funds, variable annuity sub-accounts, fixed annuities, commingled separate accounts, pooled stable value products, or other similar investments (collectively referred to as “investment options”) using quantitative and qualitative processes and techniques. Specifically, investment options will be evaluated according to the following core categories.

Quantitative Review

- **Performance** – past performance and future performance expectations, primarily relative to a benchmark and also to peer group universes
- **Style Consistency** – investment strategy consistency relative to an investment’s stated objectives
- **Risk Profile** – assessment of an investment’s risk profile for a given asset category
- **Expenses** – assessment of the investment’s expense structure

Qualitative Review

- **Organizational structure, resources and reputation** – administrative capabilities
- **Personnel experience and depth** – management and analyst resources
- **Investment process** – well defined and consistently followed over extended time Periods

For each asset category, the Committee will review and select one or more investment options that the Committee determines to be most suitable for the Plan and its participants that provides a broad range of investment options. The Committee will primarily rely on the research of the Investment Consultant for the quantitative and qualitative reviews.

Monitoring Investment Options

The Committee will obtain and review information from the Investment Consultant, as well as any other information that the Committee finds valuable in fulfilling its responsibilities. The Committee, at least annually, will have a comprehensive review and evaluation of each investment option with respect to the aforementioned Standards of Selecting, Monitoring, and Removing Investment Options presented to the Committee by the Investment Consultant.

Though a non-exhaustive list, an investment option may be considered for removal from the Plan for the following reasons:

- Lack of confidence in the investment option’s ability to provide acceptable investment performance
- Change or imminent change in portfolio management personnel
- Significant change in ownership or control
- Change in stated prospectus investment objective, strategy, and/or style drift
- SEC or other regulatory rule or regulation violation
- Notable difficulty in transacting trades, fund transfers, or pricing and other changes or problems in its procedures, operations, investing, or reporting which has or could detract from the objectives of the Plan
- Significant net redemption of the fund’s assets
- Reduction in quantity or quality of support
- Inability to satisfactorily explain performance
- Inability to satisfactorily respond to inquiries regarding organizational concerns
- Meaningful fee increase without reasonable explanation

The Committee may keep the investment option as an investment option if the Committee determines in its discretion that it is prudent to do so. If an investment option is removed, the Committee will normally replace the investment option with another similar investment option. However, the Committee may determine, in its discretion, that a removed investment option will not be replaced. If an investment option is removed from the investment option list for future contributions, the Committee may implement reasonable procedures, including blackout periods, to accomplish these changes. The Committee may decide to stop the investment of additional money in an investment option and also cause current participant funds to be transferred (mapped) to a remaining investment option with the most similar investment style. In addition, the Committee may decide to stop the investment of additional participant money in an investment option, but not remove the investment option as an investment option in the Plan to the extent participants are already invested in that investment option (that is, future investments in that investment option may be “frozen”). For example, the Committee may determine that, while another investment option better serves the needs of the Plan and its participants, the frozen investment option remains a prudent and suitable alternative for the participants who are already invested in it.

5. Exhibit A. Self-Directed Brokerage Account

The self-directed brokerage account will be maintained with a selected provider. Because of the vast array of investments available in such accounts, it is impractical for the ASRS and the Management Committee to evaluate or oversee these investments. As a consequence, the ASRS and the Committee does not evaluate or oversee these investments. Since investments purchased through the self-directed brokerage account are not selected, monitored, evaluated, or overseen by the ASRS and the Committee, they are not investment options offered through the Plan that are afforded such attention. Instead, the self-directed brokerage account offers participants the choice to invest in additional investments that are beyond the Committee’s responsibility to monitor.

Participants who choose to invest through the self-directed brokerage account are notified through the Plan Administrator that investment choices in such accounts are not subject to the same evaluations as investment options in the Plan. Participants who invest through the self-directed brokerage account will also be notified that they are taking on more responsibility and potentially greater risk, and are solely responsible for the consequences of their investment decisions.

Restrictions on Self-Directed Brokerage Accounts

- The participant is responsible for ensuring that at the time they place an order they have a sufficient cash position in their brokerage money market (cash) account to fill a purchase order.
- Contributions directly from a participant to a brokerage account will not be accepted.
- Distributions directly from a brokerage account to a participant, IRA, or another qualified plan are not permitted.

Eligible and Non-Eligible Investment Choices

Investments eligible for trading in a brokerage account shall include only the following:

- Common and preferred stock *
- Convertible bonds *
- Corporate bonds
- Convertible preferred stock *
- American depository receipts of foreign corporations *
- Taxable open and closed-end mutual funds
- Securities issued or guaranteed by the United States of America
- Securities of any agency or instrumentality of the United States of America
- Commercial Paper
- Certificates of Deposit
- Limited partnerships *
- Real Estate Investment Trusts (REITs) *
- Taxable unit investment trusts

SSDP Investment Policy Statement

*Must be listed on an approved exchange or market which includes the New York Stock Exchange, American Stock Exchange, National Market System sponsored by the National Association of Securities Dealers (NASD), National Association of Securities Dealers Automated Quotation System (NASDAQ), National Quotation Bureau n/k/a Pink Sheets LLC, and any other exchange registered as a National Securities Exchange under Section 6 of the Securities Exchange Act of 1934.

Investments not eligible for trading in a brokerage account include the following:

- All common and preferred stocks, convertible bonds, convertible preferred stocks, foreign securities, REITs, and limited partnerships which are not listed and traded on approved exchanges or markets
- Collectibles (art, antiques, etc.)
- Direct investments in commodities and commodity futures
- Direct participation plans
- Foreign currencies
- Insurance products (fixed and variable annuities, life insurance contracts)
- Direct investments in precious metals
- Real property
- Short sales
- Trust deeds
- Unlisted options, option purchases (exception: buying puts against long positions and writing covered calls), and writing uncovered call or put options
- Any other investments not on the list of eligible investments

ATTACHMENT 3

RESOLUTION NO. 2017 - _____

RESOLUTION OF THE PIMA COUNTY BOARD OF SUPERVISORS
ESTABLISHING A DEFERRED COMPENSATION PLAN
THROUGH THE ARIZONA STATE RETIREMENT SYSTEM

WHEREAS, Pima County, Arizona, through its governing body, desires to establish a 457(b) deferred compensation plan for all of its eligible officers and employees to be administered by the Arizona State Retirement System (hereinafter designated "ASRS") under Title 38, Chapter 5, Article 2 of the Arizona Revised Statutes.

NOW, THEREFORE, BE IT RESOLVED, that Pima County hereby elects to participate in the 457(b) Deferred Compensation Plan established by the ASRS pursuant to Section 38-781, Arizona Revised Statutes, for the officers and employees of Pima County who are eligible and desire to participate.

BE IT FURTHER RESOLVED, that the County Administrator is designated as the Authorized Agent of Pima County for purposes of implementation and is authorized and directed to conduct all negotiations, conclude all arrangements, and sign all agreements and modifications of agreements which may be necessary in conformity with all applicable federal and state laws, rules and regulations.

PASSED, ADOPTED AND APPROVED by the Board of Supervisors of Pima County, Arizona this _____ day of _____, 2017.


PIMA COUNTY BOARD OF SUPERVISORS

By: _____
Sharon Bronson, Chair

ATTEST

By: _____
Julie Castañeda, Clerk of the Board

APPROVED AS TO FORM

By:  _____
Deputy County Attorney