AGENDA
OF THE HUMAN RESOURCES COMMITTEE
FRIANT WATER AUTHORITY
September 25, 2017
2:00 P.M.
LINDSAY, CA

At the discretion of the Authority, all items appearing on this agenda, whether or not expressly listed
for action, may be deliberated upon and may be subject to action by the Authority. Order of agenda
items is subject to change.

1) CALL TO ORDER/ROLL CALL

2) PUBLIC COMMENT (GOVERNMENT CODE SECTION 54954.3) – This is the time where members of the
public may comment on any matter within the jurisdiction of the Committee that is not on the
agenda. Comments will be limited to 3 minutes per speaker, 15 minutes per subject and 30
minutes overall for the entire public comment period, unless otherwise approved by the chair of
the meeting, to insure that all interested parties have an opportunity to speak. The Committee
cannot take action on items not on the agenda; and therefore comments on such items may be
taken under advisement, referred to the appropriate staff for response or directed to be placed
on a future agenda. Public comment on items on the agenda will be allowed at the time the
Committee considers the item.

3) ADDITIONS TO AND APPROVAL OF AGENDA.

4) REVIEW OF PROPOSED EMPLOYEE COST OF LIVING ADJUSTMENT.

5) REVIEW OF DRAFT ORGANIZATIONAL CHART.

6) CURRENT RETIREMENT PLAN INVESTMENT OPTIONS – Review Investment Committee Updates regarding
investment options for the employee retirement plans.

7) CEO REPORT – Updates and other items of interest as noted by the CEO, not already covered on
the agenda.

8) SELECT NEXT HUMAN RESOURCES COMMITTEE MEETING

A person with a qualifying disability under the Americans with Disabilities Act of 1990 may request
the Authority to provide a disability-related modification or accommodation in order to participate in
any public meeting of the Authority. Such assistance includes appropriate alternative formats for the
agendas and agenda packets used for any public meetings of the Authority. Requests for such
assistance and for agendas and agenda packets shall be made in person, by telephone, facsimile, or
written correspondence to Toni Marie, at the office of Friant Water Authority, at least 48 hours
before a public Authority meeting.
Materials related to an item on this agenda submitted to the Board of Directors after distribution of the agenda packet are available for public inspection at FWA’s office, 854 N. Harvard Ave., Lindsay, California, 93247, during normal business hours.
MEMORANDUM

Date: September 19, 2017

To: Doug DeFlitch, COO
    Human Resources Committee

From: Investment Committee:

    Kathy Bennett
    Chris Hunter
    Tammy Kizziar
    John Robinson
    Eric Wilson

Subject: 2017 Retirement and Deferred Compensation Investment Activities

At the Human Resources Committee meeting in October 2016, staff noted to the Committee two items that the Investment Committee (IC) wanted to explore in the upcoming year:

- One was an option for participants that Standard Insurance provides called “Mainspring Managed” service. This service is a formal, goal based savings and investment plan managed by The Standard and helps address the personal needs of individual participants. After meeting with our investment advisor and the Standard Insurance representative and reviewing the follow-up responses to our questions, the IC decided this was not a good option for the Authority employees. The primary reason was that the “Guaranteed Interest Fund” was not compatible with the Mainspring Managed service. The Guaranteed fund offers a more favorable interest rate and contractual terms (guaranteed lowest rate is 3%) than the Stable Asset Fund (now at 2.3%) that would be available with the Mainspring Managed Service.

- The IC wanted to review the current plans with The Standard and compare to other retirement service providers to ensure the current plan compares favorably with fees, management experience, knowledge and services. The IC met several times with the Authority investment advisors to choose retirement provider candidates and screen for selection to send a request for proposal. Out of 121 candidates, five requests for proposals were sent and the responses analyzed by the investment advisors. The IC chose the top two candidates to make presentations to the IC – The Standard and Empower Retirement.
After the presentations and review of follow-up information from both candidates, the IC met again with Authority investment advisors to discuss the results and any recommendation for a retirement service provider.

The IC unanimously agreed that The Standard provided the overall best option as the Authority retirement investment provider. The Standard’s services, website, fiduciary oversight of the plan and fiduciary service performed by them all contributed to the decision. The Standard had the lowest fees to both the Authority (no fees to the Authority) and employees. One of the primary reasons to stay with The Standard was again, the Guaranteed Interest Fund with its contract minimum floor of 3%. It is currently paying 3.089% and close to 50% of plan assets are in the Guaranteed Interest Fund. It would cost participants loss interest earned to change to a plan with a lower interest rate in another provider’s stable asset/guaranteed fund.

From the results of the comparison of retirement service providers, the IC is recommending that the Authority continue to use the services of The Standard.
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Date: September 19, 2017

To: Doug DeFlitch, COO
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From: Investment Committee:

   Kathy Bennett
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Subject: 2017 Retirement and Deferred Compensation Investment Updates

The Investment Committee (Committee) held its annual due diligence meetings to re-evaluate the funds available to employees of Friant Water Authority (Authority) from Standard Insurance for investments in both Retirement and qualified 457 accounts. Phil Pigott and Anita Haynes, the Authority’s Investment Advisors and Michael Brody, from Standard Retirement Services, attended the final due diligence meeting. In accordance with the Investment Policy Statement (IPS) adopted by the Authority, the Committee reviewed the current lineup of funds and recommends the following changes:

The Committee had the following three funds on the “watch list” from last year because fund performance did not comply with the Authority’s IPS (see next page for the selection and review criteria):

1. Aston/Fairpointe Mid Cap Fund
2. Vanguard Windsor II
3. Dodge & Cox International

The Committee is now recommending Vanguard Windsor II be taken off the watch list. Aston/Fairpointe Mid Cap Fund and Dodge & Cox International remain on the watch list as they do not meet the guidelines of the IPS for another year.

The Committee is also recommending three additional funds whose performance is below one or more parameters of the Authority’s IPS, be added to the watch list for the reasons identified in parentheses:
Watch List 2017

1. JP Morgan Mid Cap Growth R5 (Sharpe ratio below median)
2. DFA US Targeted Value I (3 year returns below median; Sharpe ratio below median)
3. Oppenheimer International Growth Y (3 year returns below median; Sharpe ratio below median)
4. Aston/Fairpointe Mid Cap (3 year returns below median; Sharpe ratio below median) Third year on watch list
5. Dodge & Cox International (3 year returns below median; Sharpe ratio below median) Second year on watch list

Selection and Review Criteria

Per the IPS, accounts available in the Plans shall be selected on the following basis:
• Each Account shall have been in existence for at least three years
• Each Account shall have a three year and a five year (if available) performance record better than the top 50% of its respective group, based on its investment objective
• Each Account shall have a Sharpe Ratio greater than its respective peer group
• Each Account shall have satisfied the investment criteria as put forth by The Standard Life under their due diligence program.

Per the IPS, accounts available in the Plans shall be reviewed based on the following basis:
• Each Account shall be reviewed annually for compliance with the selection criteria
• Those Accounts not complying with the aforementioned criteria will be placed on a watch list for potential action
• Potential actions for watch list Accounts include, but are not limited to, suspension of further investment in the Account and/or complete removal of the Account from the investment matrix

The Investment Committee, taking into consideration the guidance of the Investment Advisors, is confident that with the combination of the existing available mutual funds, Guaranteed Interest Fund, and the available 457 Roth deferral, the Authority continues to provide diversified investment options to the employees of the Authority while staying in compliance with the Asset Allocation Plan and the Authority’s IPS.
### Changes in 2017
**Friant Water Authority Employee - Investment Style Options**

<table>
<thead>
<tr>
<th>Investment Style</th>
<th>Value</th>
<th>Blend</th>
<th>Growth</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Market Capitalization</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Large</strong></td>
<td>Vanguard Windsor II Vanguard Equity-Income Admiral</td>
<td>Vanguard 500 Index Admiral Columbia Contrarian Core Fund R4</td>
<td>T. Rowe Price Blue Chip Harbor Capital Appreciation</td>
</tr>
<tr>
<td><strong>Medium</strong></td>
<td>Aston/Fairpoint MC J Wells Fargo Special MdCp Value</td>
<td>Columbia MC Index R5 JPMorgan MCV Instl</td>
<td>JP Morgan Mid Cap Growth R5</td>
</tr>
<tr>
<td><strong>Small</strong></td>
<td>DFA US Target Value</td>
<td>Vanguard Small Index Signal DFA US Small Cap</td>
<td>T. Rowe Price New Horizon</td>
</tr>
</tbody>
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**Other Investment Styles**

- **Fixed Income**
  - Guaranteed Interest Fund
  - Prudential Total Return Z

- **Foreign Stock**
  - Dodge & Cox International (foreign large value)
  - Oppenheimer International Growth

- **Balanced, Managed, Allocated or Lifestyle**
  - Vanguard Wellington