



CITY OF
WICHITA
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DEFERRED COMPENSATION BOARD

Annual Report to the City Council

Pension Management Office of the Finance Treasury Division

2010

I. HIGHLIGHTS

The Deferred Compensation Board oversees the City of Wichita Employees' Deferred Compensation Plan. The Board is comprised of three (3) elected employee participant representatives; one (1) elected retiree participant; one (1) City Manager appointee; and the Pension Manager (see Figure 4 on Page 5). The Plan is established within Internal Revenue Code §457 and by City Ordinance Chapter 2.30. The Deferred Compensation Plan allows participants to make tax deferred contributions of up to \$16,500 annually for calendar year 2010 and 2011.

Great-West Life & Annuity Insurance Company is the record keeper for the Plan. The firm was initially selected for a five-year contract in 1991 as the result of a Request for Proposal (RFP). Three subsequent RFPs were issued in 1996, 2001, and again in 2007. Great-West was selected each time as the provider for an additional five (5) years. The current contract expires March 31, 2013. A Great-West representative works in the Pension Office, which is located on the twelfth floor of City Hall.

In 2010, the City again used a nation-wide initiative to promote its Deferred Compensation Plan. Mayor Brewer proclaimed October 17–23, 2010 to be the second annual “Save for Retirement Week” at the October 19, 2010 City Council meeting. Several marketing activities took place surrounding this week, including: posting event flyers throughout City Hall and satellite locations; conducting a satisfaction survey; showing an interview with Mark Arnold, the City’s Great West Retirement Services representative, about the Plan and the Save for Retirement Week activities; and sending electronic and paper copies of a simplified enrollment form and a compound interest flyer to all City Employees. The goals of this event were:

- To make employees aware of how critical it is to save now for retirement.
- To promote the benefits of getting started today.
- To encourage employees to take full advantage of employer-sponsored plans by increasing their contributions.
- To create a culture that promotes the value of saving for the future.

As a result of the “Save for Retirement Week” initiative, an estimated thirty-five (35) employees enrolled in the Plan and many more were made aware of the Plan and its advantages.

In 2010, Plan assets increased by \$7.9 million. This increase was attributable primarily to contributions and secondarily to capital gains. Contributions in 2010 exceeded \$5.2 million, their highest since inception of the Plan. Distributions of \$2.9 million were greater than 2009 (\$1.9 million), but were less than 2008 (\$4.6 million). In 2008, the Deferred Compensation Plan started offering participant loans. The outstanding loan balance as of December 31, 2010, was \$892,153, an increase of approximately \$100,000 over the prior year (see Figure 1).

Total Plan Assets

	2008	2009	2010
Participant			
Beginning Balance	\$50,573,972	\$36,073,193	\$46,473,542
Contributions	4,698,423	4,114,941	5,249,442
Interest/Dividends	867,624	650,871	939,303
Capital Gain/(Loss)	(15,424,121)	7,567,701	4,546,841
Fees	(13,931)	(23,324)	(32,080)
Distributions	(4,628,774)	(1,909,840)	(2,923,518)
Participant Ending Balance	36,073,193	46,473,542	54,253,530
Other Plan Assets			
Revenue Sharing Balance	33	9,016	43,627
Outstanding Loan Balance	702,879	798,836	892,153
Total Plan Ending Balance	\$36,776,104	\$47,281,394	\$55,189,310

Figure 1

During 2010, the Plan offered twenty-five (25) investment options representing a variety of asset classes and risk/reward options. Participants may select any combination of options and make changes to their investments and asset allocation as they desire. Figure 2 displays all investment options grouped by asset class. With almost 30% of the assets and 1,470 participants, Large Cap Equity continues to be the most popular asset class measured by both assets and total participants. Conservative options (Stable Value and Fixed Income) totaled 28.2% of the total Plan assets, down from 29.5% the prior year. The Putnam Stable Value Fund, as a single investment option, continued to have the highest percentage of the total assets at 23.7%, and the largest number of participants at 555.

2010 Plan Assets and Participants by Fund

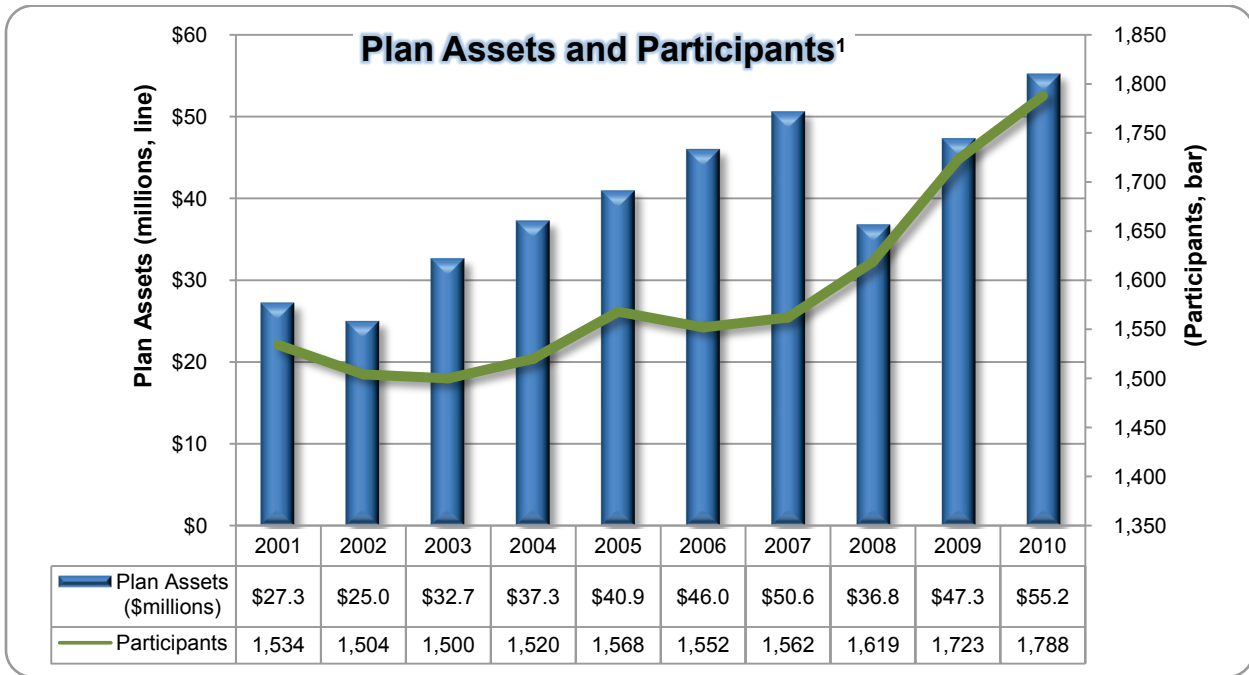
Fund Name	Participants	Assets	Percent of Assets
Target Date Funds			
City of Wichita Target Date 2010 Fund	68	\$1,304,721	2.4%
City of Wichita Target Date 2020 Fund	112	\$1,322,045	2.4%
City of Wichita Target Date 2030 Fund	323	\$3,526,312	6.5%
City of Wichita Target Date 2040 Fund	305	\$2,868,841	5.3%
City of Wichita Target Date 2050 Fund	263	\$3,639,176	6.7%
City of Wichita Target Date Income Fund	17	\$613,581	1.1%
Subtotal Target Date Funds	1,088	\$13,274,676	24.4%
International Equity			
DFA International Value - Fund R2	117	\$1,108,481	2.0%
MFS International Growth R4	41	\$169,795	0.3%
American Funds Cap Wld Gr & Inc R4	186	\$1,055,045	1.9%
Vanguard Total Int'l Stock Index Fund	145	\$603,487	1.1%
Subtotal International Equity	489	\$2,936,809	5.4%
Large Cap Equity			
American Beacon Lg Cap Value Investor	322	\$2,943,596	5.4%
Hartford Capital Appreciation Fund Y	243	\$2,550,461	4.7%
American Funds Growth Fund R4	372	\$4,500,518	8.3%
Vanguard Institutional Index Fund	533	\$5,975,330	11.0%
Subtotal Large Cap Equity	1,470	\$15,969,905	29.4%
Mid Cap Equity			
Artisan Mid Cap Value Fund	230	\$2,088,023	3.8%
T. Rowe Price Mid Cap Growth Fund	149	\$1,386,392	2.6%
Vanguard Mid Cap Index Fund	122	\$388,931	0.7%
Subtotal Mid Cap Equity	501	\$3,863,346	7.1%
Small Cap Equity			
Perimeter Small Cap Growth Inst'l	138	\$1,091,920	2.0%
Vanguard Small Cap Index Fund - Inv	209	\$1,303,713	2.4%
WHG Small Cap Value Fund Inst	51	\$332,663	0.6%
Subtotal Small Cap Equity	398	\$2,728,296	5.0%
Fixed Income			
Metropolitan West Total Return Bond M	71	\$687,156	1.3%
American Funds High Income Tr R4	44	\$313,284	0.6%
Vanguard Total Bond Market Index Fund	252	\$1,441,605	2.7%
Subtotal Fixed Income	367	\$2,442,045	4.5%
Real Estate (REITS)			
Cohen & Steers Realty Shares	115	\$225,155	0.4%
Subtotal Real Estate (REITS)	115	\$225,155	0.4%
Stable Value			
Putnam Stable Value Fund	555	\$12,856,926	23.7%
Subtotal Stable Value¹	555	\$12,856,926	23.7%
Total²		\$54,297,156	100.00%

¹ The assets in the "Great-West Guaranteed Certificate Funds" are included in the Putnam Stable Value fund for this report

² Net of outstanding loan balance

Figure 2

After a decrease in Plan assets of \$13.8 million in 2008, Plan assets increased by \$10.5 and \$7.9 million in 2009 and 2010, respectively. Plan participation in 2010 increased for the fourth consecutive year (see Figure 3). This increase was aided by enrollments due to the previously mentioned “Save for Retirement Week” initiative.



¹ Participants include all employees and retirees with an account balance.

Figure 3

II. BOARD ACTIVITY

During 2010, the Deferred Compensation Board held five (5) meetings:

- four (4) quarterly meetings, and
- one (1) emergency hardship withdrawal meeting.

The Board took several significant actions in 2010, including:

1. At its May meeting, the Board approved the first Revenue Sharing Policy of the Plan. This policy states how revenue sharing dollars will be invested and for what purposes they can be used.
2. At its August meeting, the Board voted to switch from the Investor Share Class to the Signal Share Class for the Vanguard Total Bond Fund Index and the Vanguard Small Cap Index Fund. This change resulted in decreased fees for these investment options.
3. At its Annual meeting in November, the Board voted to move all Target Date Funds from a conservative to a moderate asset allocation glide path and further diversify the Funds by adding the following four (4) investment options to the Target Date Funds: 1) a Treasury Inflation Protected Securities (TIPS) fund; an Emerging Markets Bond fund; 3) an Emerging Markets Equity fund; and 4) an International Small Cap fund.

2010 Board Member Attendance

Member ¹	Term Expires	Attendance
Barbara Davis (ex officio member)	ex officio	5 of 5
John Davis – 2 nd VP (elected by retiree participants)	12/2011	4 of 5
Mike Hampel (elected by employee participants)	12/2013	5 of 5
Sean Seamster – 1 st VP (elected by employee participants)	12/2011	5 of 5
Bill Stevens (elected by employee participants)	12/2013	3 of 5
Steve Warfield – President (appointed by the City Manager)	12/2011	5 of 5

¹ Names of trustees as of December 31, 2010 are **bolded**.

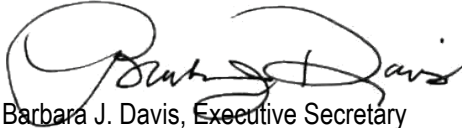
Figure 4

Ongoing education and familiarity with the 457(b) environment is an important objective of the Plan. To this end the Pension Manager, Barbara Davis, and one (1) Board member, Sean Seamster, attended the annual conference sponsored by the National Association of Government Defined Contribution Administrators, Inc. (NAGDCA) in September 2010.

Respectfully submitted,



Steve Warfield, President
Deferred Compensation Board



Barbara J. Davis, Executive Secretary
Pension Manager