

# **STRATEGIC PLAN 2012-2016**

**CITY OF LOS ANGELES  
DEFERRED COMPENSATION PLAN**

**TABLE OF CONTENTS** **Page Number**

|      |                         |   |
|------|-------------------------|---|
| I.   | MISSION STATEMENT       | 3 |
| II.  | VISION STATEMENT        | 3 |
| III. | VALUES STATEMENT        | 3 |
| IV.  | GOALS                   | 4 |
| V.   | RESOURCES               | 5 |
| VI.  | OBJECTIVES & STRATEGIES | 7 |
|      | - 2012                  |   |
|      | - 2013                  |   |
|      | - 2014                  |   |
|      | - 2015                  |   |
|      | - 2016                  |   |
| VII. | POLICIES                |   |

## I. MISSION STATEMENT

The mission of the City of Los Angeles Deferred Compensation Plan is to provide active and retired City employees with a supplemental retirement and savings program that offers opportunities for enhancing retirement and financial security.

## II. VISION STATEMENT

Our vision is that the City's Plan will establish itself as a premier governmental supplemental retirement savings program dedicated to diligent, forward-thinking Plan administration guided solely by what is in the best interests of Plan participants.

## III. VALUES STATEMENT

The City's Plan will be guided by the following core values in pursuit of our mission:

Integrity – The integrity of each and every one of our decisions and actions is paramount, and is demonstrated by our commitment to the highest ethical standards at all times, and to always and exclusively acting in the best interests of our Plan participants.

Transparency – As a public entity and as part of safeguarding the trust of, and accountability to, our participants, we believe all our deliberations, decisions, and actions must be fully transparent to participants, colleagues, and the public.

Customer Service Excellence - We recognize that our participants rely on us to be proactive, empathetic, engaging, patient, and friendly, and to demonstrate competence, professionalism, and credibility, so that they can be successful in managing their accounts, and we are committed to these qualities in all matters in which we serve them.

Collaboration – We believe that one of our greatest strengths in administering the Plan flows from the degree to which we collectively collaborate internally and externally with those whose experience, wisdom, insights, creativity, and judgment support the mission of the Plan.

Innovation – We believe in creative and innovative approaches to fulfilling our mission, recognizing that achieving excellence frequently requires a willingness to critically examine our processes and challenge conventional thinking in order to ever more successfully expand the borders of what is possible for our Plan and its participants.

## IV. GOALS

- (1) **EFFECTIVE COMMUNICATION/EDUCATION/CUSTOMER SERVICE** - Effectively communicate with Plan participants regarding the opportunities created by the Plan and provide them the information necessary to take advantage of those opportunities; actively listen to participants such that we can understand and address their concerns, questions and needs; and provide customer service that is proactive, empathetic, engaging, patient, and friendly.
- (2) **PROVIDE QUALITY INVESTMENT CHOICES** - Establish and maintain a menu of high quality, diversified core investment options that allow participants of varying risk tolerance to construct portfolios tailored to meet their particular financial goals; and provide a broad-based Self-Directed Brokerage Option (SDBO) to meet the needs of participants who prefer a broader range of investment choices.
- (3) **PROVIDE EXCELLENT PLAN ADMINISTRATION** – Design support services and administrative processes which safeguard participant assets and demonstrate competence, professionalism, and credibility.
- (4) **EXECUTE DILIGENCE IN PLAN GOVERNANCE, PROCUREMENT & CONTRACTING** – Govern the Plan in accordance with applicable Federal/State law and City rules/policies, and acting always in the best interests of Plan participants; and design procurement processes which create opportunities to consider the widest range of potential service providers and contract with firms providing the highest quality services relative to reasonable cost.
- (5) **EFFECTIVE RESOURCE MANAGEMENT** – Establish and maintain an operating budget which fulfills the Plan’s mission in an efficient and cost-effective manner.
- (6) **DEVELOP INTELLECTUAL RESOURCES** - Ensure that the Board and its staff have the informational tools and resources to properly perform their functions.

## V. RESOURCES

Goals and objectives, if they are to be realistic, must be prioritized relative to available resources and be consistent with the hierarchy of objectives adopted by the Plan. All of the expenses of the Plan are paid by participant fees. These expenses include both external contracting costs as well as the City's internal costs to administer the program.

The Board maintains an account which acts as a repository for participant fees. From that account the expenses of the Plan are paid. It is the objective of the Board to maintain a prudent reserve in the account, equal to approximately 5% of the Plan's annual operating expenses, over a five-year period.

The following tables outline the assumptions, estimated Plan expenses, and summary five-year projection for the period 2012-2016.

### A. ASSUMPTIONS

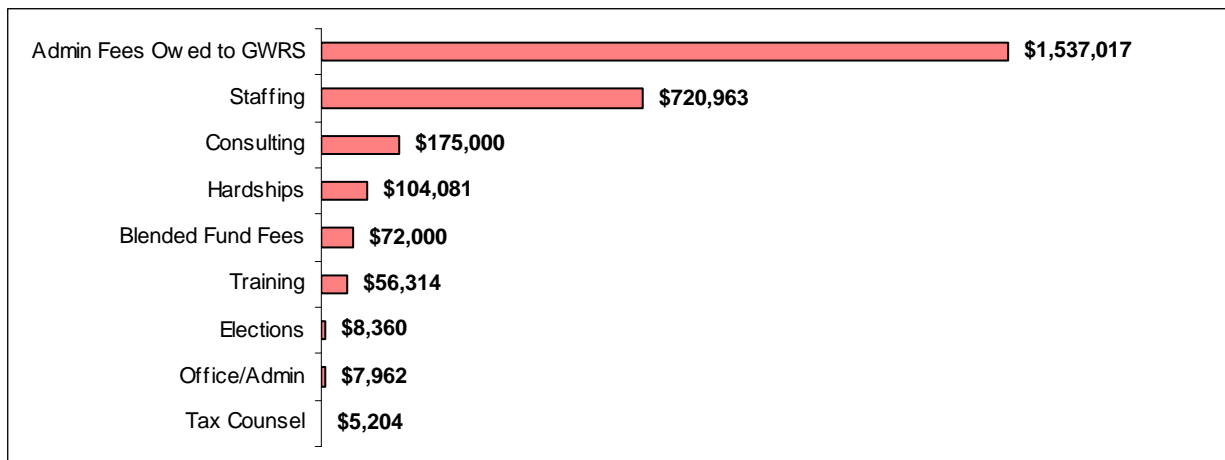
The following assumptions form the basis of the financial projections incorporated in this five-year projection:

| REVENUES   | ASSUMPTION |
|--|------------|
| Annual Recordkeeping Fee Assessed Against Participant Accounts | 0.10%      |
| Fee Cap  | \$ 125     |

| TREND                            | ASSUMPTION |
|----------------------------------|------------|
| Asset Growth                     | 5%         |
| Expense Inflation (COLA) Factor  | 2%         |
| Enrollment Growth                | 1%         |
| Stable Value Fund Rate of Return | 3%         |

### B. EXPENSES

Following is a summary of projected average annual expenses within all Plan expense categories over the five-year period.



### C. SUMMARY FIVE-YEAR PROJECTION

The following table provides a summary projection of Plan budgeted revenues and expenses for the period 2012-2016. It is the Board's objective to maintain an ongoing reserve representing approximately 50% of the Plan's annual operating expenses over this five-year period.

|                                   | <b>FIVE YEAR SUMMARY PROJECTION (2012-2016)</b> |                   |                   |                   |                   |
|-----------------------------------|---|-------------------|-------------------|-------------------|-------------------|
|                                   | <b>12/31/2012</b>                               | <b>12/31/2013</b> | <b>12/31/2014</b> | <b>12/31/2015</b> | <b>12/31/2016</b> |
| <b>Estimated Starting Balance</b> | \$ 2,549,787                                    | \$ 2,279,440      | \$ 1,993,990      | \$ 1,706,692      | \$ 1,451,282      |
| <b>Estimated Interest</b>         | \$ 76,494                                       | \$ 68,383         | \$ 59,820         | \$ 51,201         | \$ 43,538         |
| <b>Estimated Revenue</b>          | \$ 2,317,935                                    | \$ 2,368,271      | \$ 2,420,540      | \$ 2,475,253      | \$ 2,533,542      |
| <b>Estimated Expenses</b>         | \$ (2,588,283)                                  | \$ (2,653,720)    | \$ (2,707,838)    | \$ (2,730,662)    | \$ (2,754,001)    |
| <b>Revenues Less Expenses</b>     | \$ (270,347)                                    | \$ (285,449)      | \$ (287,299)      | \$ (255,410)      | \$ (220,459)      |
| <b>Target Reserve</b>             | \$ 1,294,141                                    | \$ 1,326,860      | \$ 1,353,919      | \$ 1,365,331      | \$ 1,377,001      |
| <b>Estimated Reserve</b>          | \$ 2,279,440                                    | \$ 1,993,990      | \$ 1,706,692      | \$ 1,451,282      | \$ 1,230,823      |

## **VI. STRATEGIES & OBJECTIVES**

The strategies and objectives of the City's Deferred Compensation Plan outlined over this five-year period have been developed to be aligned with the mission, values, goals and available resources of the Plan. Each individual endeavor shall be approached with this broad framework in mind.

The Board recognizes that a five-year plan is a guide for future action, and must be flexible and adaptive to changing needs and priorities. As a result, this document will be reviewed and refined on no less than an annual basis throughout its term.

**DCP STRATEGIC PLAN 2012-2016  
GOALS: COMMUNICATIONS**

**COMMUNICATIONS GOAL: Effectively communicate with Plan participants regarding the opportunities created by the Plan and provide them the information necessary to take advantage of those opportunities; actively listen to participants such that we can understand and address their concerns, questions and needs; and provide customer service that is proactive, empathetic, engaging, patient, and friendly.**

| 2012   | 2013  | 2014   | 2015  | 2016  |
|--|---|--|---|---|
| <p>A) Work with communications consultant to develop program and materials for personalized account management counseling service.</p> <p>B) Develop and initiate “Green Campaign” as part of replacing, where feasible and appropriate, paper with electronic means of communication</p> <p>C) Complete and distribute informational materials regarding investment menu changes scheduled for April 2012</p> <p>D) Create retirement planning calculator to provide participants with means of assessing anticipated income replacement based on a consolidated review of their defined benefit and defined contribution income streams</p> <p>E) Revise Distribution Request Form and Distribution Guide to make these materials more accessible, visual and user-friendly</p> <p>F) Update Plan Highlights &amp; Enrollment Guide to make these materials more accessible, visual and user-friendly</p> <p>G) Continue marketing Roth savings option</p> <p>H) Create communications materials for National Save for Retirement Week</p> <p>I) Create Custom DROP Informational/Marketing Materials for both new and exiting members</p> <p>J) Create New Recurring Communications report for Board meetings</p> | <p>A) Implement new Plan website design in coordination with Great-West Retirement Services</p> <p>B) Create and release a minimum of one informational video and one webinar addressing a key informational topic</p> <p>C) Implement personalized account management counseling service with metrics</p> <p>D) Create communication materials for final investment menu changes</p> <p>E) Create Communications for National Save for Retirement Week</p> | <p>A) Conduct participant survey</p> <p>B) Create and release a minimum of two informational videos, two webinars, and one mobile-phone app addressing a key informational topic</p> <p>C) Create communication campaign for beneficiary designation updates</p> <p>D) Create Communications for National Save for Retirement Week</p> | <p>A) Create and release a minimum of two informational videos, two webinars, and one mobile-phone app addressing a key informational topic</p> <p>B) Create Communications for National Save for Retirement Week</p> | <p>A) Create and release a minimum of two informational videos, two webinars, and one mobile-phone app addressing a key informational topic</p> <p>B) Create Communications for National Save for Retirement Week</p> |



**DCP STRATEGIC PLAN 2012-2016**  
**GOALS: INVESTMENTS**

**INVESTMENTS GOAL:** Establish and maintain a menu of high quality, diversified core investment options that allow participants of varying risk tolerance to construct portfolios tailored to meet their particular financial goals; and provide a broad-based Self-Directed Brokerage Option (SDBO) to meet the needs of participants who prefer a broader range of investment choices.

| 2012  | 2013  | 2014  | 2015   | 2016                               |
|---|---|---|--|------------------------------------|
| <p>A) Conduct Procurements for Deferred Compensation Plan:</p> <ul style="list-style-type: none"> <li>- Active Value Mid-Cap</li> <li>- Active Growth Mid-Cap</li> <li>- Active Value Small-Cap</li> <li>- Active Growth Small-Cap</li> <li>- Active Developed Markets Intl</li> <li>- Active Emerging Markets Intl</li> <li>- Active Small-Cap Markets Intl</li> </ul> <p>B) Refine investment provider review process, standardizing vendor reporting formats and creating more interactive and substantive review discussions at Board meetings</p> <p>C) Implement new policy for Bank Deposit Account Savings option</p> | <p>A) Conduct Procurements for Deferred Compensation Plan:</p> <ul style="list-style-type: none"> <li>- Passive Bond</li> <li>- Active Bond</li> <li>- Passive Large-Cap</li> <li>- Passive Mid-Cap</li> <li>- Passive Small-Cap</li> </ul> | <p>A) Conduct Procurements for Deferred Compensation Plan:</p> <ul style="list-style-type: none"> <li>- Bank Deposit Account</li> <li>- Stable Value</li> </ul> | <p>A) Conduct Investment Policy Review</p> <p>B) Review Asset Allocation Funds structure</p> | <p>A) Project to be determined</p> |

**DCP STRATEGIC PLAN 2012-2016  
GOALS: ADMINISTRATION, GOVERNANCE**

**ADMINISTRATION - design support services and administrative processes which safeguard participant assets and demonstrate competence, professionalism, and credibility.**

| 2012   | 2013                                     | 2014                           | 2015                               | 2016                               |
|--|--|--------------------------------|------------------------------------|------------------------------------|
| <p>A) Implement Online Enrollment allowing participants to enroll in the Deferred Compensation Plan via the Plan website</p> <p>B) Develop records retention policy which will provide for the length of time that participant records will be maintained by the Plan.</p> <p>C) Implement Online Distribution allowing participants to initiate and complete certain distribution methods via the Plan website.</p> | <p>A) Implement Retiree Loan Program</p> | <p>A) Implement Plan Audit</p> | <p>A) Project to be determined</p> | <p>A) Project to be determined</p> |

**GOVERNANCE/PROCUREMENT/CONTRACTING - Govern the Plan in accordance with applicable Federal/State law and City rules/policies, and acting always in the best interests of Plan participants; and design procurement processes which create opportunities to consider the widest range of potential service providers and contract with firms providing the highest quality services relative to reasonable cost.**

| 2012   | 2013  | 2014   | 2015   | 2016  |
|--|---|--|--|---|
| <p>A) Establish Strategic Plan for 2012-2016</p> <p>B) Conduct elections for DWP and Retired Board representatives</p> <p>C) Execute new consulting services contract(s) for 2012-2015</p> | <p>A) Conduct Plan Document Review &amp; Update</p> | <p>A) Conduct elections for LACERS and Pensions Board representatives</p> <p>B) Conduct procurement for Plan consulting services</p> | <p>A) Conduct elections for DWP and Retired Board representatives</p> <p>B) Conduct Board member retreat</p> | <p>A) Complete Request for Proposal for Plan Administration/recordkeeping</p> |

**DCP STRATEGIC PLAN 2012-2016**  
**GOALS: FINANCIAL RESOURCES, INTELLECTUAL RESOURCES**

**RESOURCES - Establish and maintain an operating budget which fulfills the Plan's mission in an efficient and cost-effective manner.**

| 2012   | 2013   | 2014   | 2015   | 2016  |
|--|--|--|--|---|
| A) Adopt and adhere to Plan 2012 budget                                  | A) Adopt and adhere to 2013 Plan budget                                  | A) Adopt and adhere to 2014 Plan budget                                  | A) Adopt and adhere to 2015 Plan budget                                  | A) Adopt and adhere to 2016 Plan budget                             |
| B) Maintain Plan reserve fund accounts at or above target surplus amount | B) Maintain Plan reserve fund accounts at or above target surplus amount | B) Maintain Plan reserve fund accounts at or above target surplus amount | B) Maintain Plan reserve fund accounts at or above target surplus amount | B) Maintain Plan reserve accounts at or above target surplus amount |

**INTELLECTUAL RESOURCES - Ensure that the Board and its staff have the informational tools and resources to properly perform their functions.**

| 2012  | 2013  | 2014  | 2015  | 2016  |
|---|---|---|---|---|
| A) Create Training/Education Policy   | A) Implement two in-meeting Board trainings   | A) Implement two in-meeting Board trainings   | A) Implement two in-meeting Board trainings   | A) Implement two in-meeting Board trainings   |
| B) Implement two in-meeting Board trainings   | B) Coordinate Board/staff member attendance of appropriate conferences/ trainings (e.g. NAGDCA, Pensions & Investments, etc.) | B) Coordinate Board/staff member attendance of appropriate conferences /trainings (e.g. NAGDCA, Pensions & Investments, etc.) | B) Coordinate Board/staff member attendance of appropriate conferences/ trainings (e.g. NAGDCA, Pensions & Investments, etc.) | B) Coordinate Board/staff member attendance of appropriate conferences/ trainings (e.g. NAGDCA, Pensions & Investments, etc.) |
| C) Coordinate Board/staff member attendance of appropriate conferences/ trainings (e.g. NAGDCA, Pensions & Investments, etc.) | C) Participate in three meetings of the California Defined Contribution Peer Network  | C) Participate in three meetings of the California Defined Contribution Peer Network  | C) Participate in three meetings of the California Defined Contribution Peer Network  | C) Participate in three meetings of the California Defined Contribution Peer Network  |
| D) Participate in three meetings of the California Defined Contribution Peer Network  |   | D) Conduct staff on-site visit to Great-West  |   |   |
| E) Conduct staff on-site visit to Great-West  |   |   |   |   |