

CITY OF LOS ANGELES
BOARD OF DEFERRED COMPENSATION ADMINISTRATION

ADOPTED MINUTES
REGULAR MEETING APRIL 17, 2012 – 9:00 A.M.
700 E. TEMPLE STREET, ROOM 350

BOARD MEMBERS:

Present:

Eugene K. Canzano, Chairperson
John R. Mumma, Vice-Chairperson
Clifford Cannon, First Provisional Chair
Sangeeta Bhatia, Third Provisional Chair
Michael Amerian
Michael A. Perez
Robert Schoonover
Margaret Whelan

Not Present:

Tom Moutes, Second Provisional Chair

Staff:

Personnel: David Luther
Alejandrina Basquez
Steven Montagna
Natasha Gameraoz
Esther Chang

City Attorney: Curtis Kidder

1. CALL TO ORDER

The meeting was called to order at 9:12 a.m.

2. PUBLIC COMMENTS

None.

3. MINUTES

A motion was made by Ms. Whelan, seconded by Mr. Perez, to approve the March 20, 2012 minutes; the motion was unanimously adopted.

4. BOARD REPORT 12-20: CONSULTING SERVICES REQUEST FOR PROPOSAL

Mr. Canzano indicated Mr. Moutes had submitted written comments, dated April 13, 2012, expressing concern over the selection of Mercer due to possible performance issues. Ms. Whelan stated she believed staff had closely followed the RFP evaluation process and indicated she was concerned about addressing performance issues for an incumbent at the end stage of a procurement process. She stated if there were performance concerns, they should be addressed during the term of the contract. She indicated Great-West was evaluated each year by staff, a practice that could also be applied to Mercer. Mr. Canzano agreed and indicated similar language should be added to Mercer's contract. Mr. Montagna stated Great-West frequently solicits Board comments and feedback on performance, which is another practice that can be applied with Mercer. Mr. Perez asked if annual evaluations were part of Board policies; Mr. Montagna stated they were not, but indicated it could be added into a document like the Plan's bylaws.

Mr. Montagna indicated staff had completed the scoring of the Request for Proposal (RFP) for Plan consulting services for plan administration, investments, and communications. He stated staff had read through the RFP responses and evaluated each according to pre-determined criteria and respective point allocations. He stated points were deducted based on a relative assessment of all responses for each question. He stated staff members scored responses independent from one another but compared scores upon completion to review any wide variations in score. Mr. Mumma asked who reviewed which portions of the contract. Mr. Montagna indicated he and Ms. Gameraoz reviewed responses for the plan administration and investment consultant portions, while he and Ms. Chang reviewed the communications consultant portion.

Mr. Schoonover asked why some vendors did not have a performance examination score. Mr. Montagna indicated the RFP provided that only firms viable for a contract award following scoring of the written portion of the RFP would be given performance exams, which were worth 100 points.

Mr. Montagna indicated Buck Consultants was recommended for the communications consulting portion. He indicated the selection was recommended particularly due to their disciplined project development and implementation process and sample materials, which were clever and engaging. He indicated staff also recommended Mercer as a supplemental communications vendor for use in special or limited projects. He indicated staff had used them in the past for the creation of the Roth characters.

Mr. Mumma asked why vendors might not have responded to all questions on the RFP or why some of the firm scores were significantly lower than others. He questioned whether the RFP process might be too cumbersome or difficult to understand. Mr. Montagna indicated the questions in the RFP are fairly clear. He stated certain firms

may not have had the resources to respond appropriately to the RFP or were unaware they were responding incorrectly as it was their first time applying for a contract with the City. He cited as an example, a firm proposing Clip Art as a design resource versus a firm that employs graphic artists.

Mr. Mumma asked how much the budget was for consulting. Mr. Montagna indicated it would be \$175,000 for all consulting components, with approximately \$40,000 to communications. Ms. Bhatia asked for the remaining breakdown. Mr. Montagna indicated the bulk of the total is for investments consulting at \$100,000 and the balance of roughly \$35,000 for plan administration consulting.

Mr. Perez asked whether the Personnel Department General Manager would have authority to pay Mercer under an Authority for Expenditure (AFE) for incidental communications work under \$25,000; he indicated a separate contract may not be necessary. Alex Basquez stated Buck would be a new contractor, signed on to provide services for at least three years. She indicated that adding Mercer as a supplemental vendor would provide staff with additional flexibility. She stated staff could add the communications portion into Mercer's contract for plan administration and investment consulting, should the Board approve Mercer's procurement. She indicated total expenditures for services from Mercer and Buck would not exceed the amount budgeted for communications. Mr. Luther indicated most City Attorneys generally require a contract with an AFE; he stated the process could prove the same administratively, but the AFE might actually be more limiting as the maximum amount allowed is \$25,000. Mr. Kidder recommended a contract with all the protections it allows. Mr. Perez asked how long Mercer has had a contract with the Plan. Mr. Montagna indicated that Mercer acquired A. Foster Higgins, the previous consultant, in approximately 1998, and the relationship since that point has been ongoing.

Mr. Montagna stated the recommendation for plan administration consulting was Mercer. He stated Mercer was selected particularly due to their knowledge of the general defined contribution space as well as their technical background with 457 plans. He indicated that for investment consulting, Mercer was also recommended due to their broad resources, which include independent databases of investment managers, research resources, and dedicated teams looking solely at topics such as stable value.

Mr. Mumma asked for the rates NEPC had offered. Mr. Montagna indicated NEPC had not offered an hourly rate, only a flat annual fee of \$200,000, which was twice the actual budget for investment consulting. He stated in comparison, Greenleaf offered \$68,000 for its flat annual fee, which made that firm competitive. He stated NEPC was not considered a viable firm as no hourly rate was quoted; he indicated staff requested hourly rates to be able to control cost. Ms. Bhatia asked whether firms would be hired on retainer or as-needed based on projects. Mr. Montagna indicated certain services, such as quarterly reports, would have flat fees, but other projects would be as-needed. Ms. Bhatia asked whether there was still room for negotiation on any terms or conditions; she noted staff's recommendation requested the Board to approve the procurements contingent upon successful negotiation of contract terms. Mr. Montagna

stated there was always the possibility of issues arising once contract preparation begins, particularly in regards to aspects of the contract related to the City's general contracting requirements.

A motion was made by Mr. Perez, seconded by Mr. Mumma, to approve the selection of Mercer for Plan Administration and Investments Consulting; the motion was unanimously adopted.

A motion was made by Ms. Bhatia, seconded by Mr. Schoonover, to approve the selection of Buck as the primary vendor for Communications Consulting; the motion was unanimously adopted.

A motion was made by Mr. Amerian, seconded by Mr. Cannon, to approve the selection of Mercer as the supplemental vendor for Communications Consulting. Mr. Perez indicated he would be voting against this motion; he stated he believed there was a need to focus solely on the new firm, given the duration of Mercer's consulting services. Ms. Bhatia asked whether the Board would be informed if Buck was not providing satisfactory services. Ms. Whelan indicated unsatisfactory service would be reported to the Board. Mr. Montagna confirmed and stated staff would not intend to utilize Mercer exclusively without first addressing the question with the Board. He stated the intent was to use Mercer only on limited or special projects. **The motion was carried with six affirmative votes (Amerian, Bhatia, Cannon, Canzano, Mumma, Whelan) and two negative votes (Perez, Schoonover).**

5. BOARD REPORT 12-21: SENIOR MANAGEMENT ANALYST POSITION

Mr. Montagna stated staff had previously informed the Board that the Plan had, as part of the current budget cycle, taken advantage of an opportunity to request a Senior Management Analyst position. He stated staff was now returning to the Board to discuss the merits of the request and address funding matters. He stated indications were that the position would be included within the department's budget. He indicated additional and appropriate resources were necessary as the Plan continues to grow in its complexity. He stated staff recommends the Board refer this matter to the Plan Governance Committee for further discussion.

Mr. Perez asked for clarification on the funding issues and options. Mr. Montagna stated the Plan should review the cost of the position and determine its merits relative to available and future resources. Mr. Canzano asked whether the last budget report staff provided had factored in the Senior Management Analyst position. Mr. Montagna indicated it had not. Mr. Perez commented he had a handful of employees consisting of one section committed to the communications function alone. He stated that while Fire and Police Pensions oversees additional operations as compared to the Plan, he understood the need and was in support of the position.

A motion was made by Mr. Perez, seconded by Mr. Amerian, to direct the Plan Governance and Administrative Issues Committee to study the merits of and options for funding a new Senior Management Analyst I position, and return to the full Board with recommendations; the motion was unanimously adopted.

6. BOARD REPORT 12-22: TRAINING, EDUCATION & TRAVEL POLICY

Mr. Montagna stated staff would begin preparing training, education, and travel requests for each upcoming fiscal year as part of the Plan's budget review. He stated staff would create a document listing conferences and trainings, and would include any related travel as part of the budget request. He stated specific guidelines and procedures should be explored in more detail by referring the discussion to the Plan Governance Committee. Ms. Bhatia asked for the budgeted amount and total expenditures for training in fiscal year 2011-12. Mr. Montagna indicated approximately \$52,000 was budgeted, while close to \$35,000 was expended.

A motion was made by Mr. Mumma, seconded by Mr. Perez, to refer the draft of the training, education, and travel policy to the Plan Governance & Administrative Issues Committee and direct the Committee to return with a final proposed document; the motion was unanimously adopted.

7. BOARD REPORT 12-23: CONTRACT STATUS UPDATE

Ms. Chang stated staff was currently in the process of coordinating work related to three RFPs. She indicated the first was related to the consulting services contract, for which the Board had taken action in a previous item by approving the recommended selection for vendors. She stated the two remaining RFPs were for a Fund Custodian, and for investment managers related to the second phase of the investment menu changes, which would impact the mid-cap, small-cap, and international asset classes. She indicated these two RFPs would soon be released. She indicated they had been pending resolution of issues related to the City's general contracting requirements, mainly whether the Plan was exempt from the requirements of the Business Inclusion Program; she stated these issues had been discussed and a course of action had been adopted at the March Board meeting.

A motion was made by Mr. Amerian, seconded by Mr. Perez, to receive and file the report; the motion was unanimously adopted.

8. BOARD REPORT 12-24: QUARTERLY COMMUNICATIONS ACTIVITY
REPORT

Mr. Canzano indicated a letter had been submitted by a participant regarding the investment menu changes and entered it into the record. Mr. Mumma asked if staff had

reached out to the participant. Mr. Montagna indicated that he had offered his assistance. Mr. Amerian asked how staff had communicated with the letter author. Mr. Montagna stated he had returned an e-mail the participant had sent, which had specifically requested the letter be submitted to the Board. He indicated he would follow up with the participant with a phone call as the e-mail communication had been received by the Plan only the day prior.

Ms. Bhatia commented that many participants had approached her over concerns on the upcoming change, not dissimilar from the concerns expressed in the letter. Mr. Mumma also indicated he had received many calls from sworn members, which was in response to his writings in union publications. He indicated he would like staff to attempt more pointed communication tactics and place information in union publications or other pension system communications in order to increase the likelihood of catching participant attention. Ms. Whelan asked Mr. Schoonover whether SEIU had a regular publication. Mr. Schoonover stated his organization sent out materials on an as-needed basis; he indicated he could post information on their website, however.

A motion was made by Mr. Perez, seconded by Mr. Mumma, to receive and file the report; the motion was unanimously adopted.

9. BOARD REPORT 12-25: CA-DCPN MEETING

Mr. Montagna indicated staff was requesting approval for travel to the California Defined Contribution Peer Network (CA-DCP) meeting in June, to be held in Sacramento, for two staff members. **A motion was made by Mr. Perez, seconded by Ms. Bhatia, to approve necessary funding for staff to attend a meeting of the CA-DCPN; the motion was unanimously adopted.**

10. BOARD REPORT 12-26: BOARD ELECTIONS FOR DWP & RETIRED REPRESENTATIVE SEATS

Ms. Chang indicated there were two candidates for the DWP Active Participant Representative seat, Mr. Canzano and Mr. Jim Yip. She stated Mr. Cannon was the only candidate for the Retired Participant Representative seat. She stated ballots would be sent out by April 27, 2012, and eligible participants would need to turn in ballots by May 11, 2012. She indicated the Board would have the certified results at the June meeting. **A motion was made by Mr. Perez, seconded by Ms. Whelan, to receive and file staff's report; the motion was unanimously adopted.**

11. BOARD REPORT 12-27: STAFF REPORT

Ms. Chang indicated information had been compiled for the March staff report. She stated: 226 participants visited the public counter; 18 participants elected to defer their

accrued leave for a total amount of \$468,546; 48 hardship cases were submitted and 41 cases were approved for a total of approximately \$400,000 disbursed; 495 participants elected to obtain a new loan, for about \$5.7 million dollars disbursed from the Plan; a little over \$13.6 million was deferred into the Plan, which was a decrease of 4.2% year-over-year; and 102 new Roth accounts were established in March, for a total of 865 current Roth accounts established since August 2011, which constitutes a 3.02% participation rate of contributing participants. Mr. Mumma inquired whether there was any information on incoming sworn academy classes and their participation rates in Roth. Mr. Robison indicated these individuals were largely electing full or partial Roth contributions. He stated as an example, out of a class of 22 individuals, normally 16 would elect for at least a partial Roth contribution.

A motion was made by Mr. Mumma, seconded by Mr. Schoonover, to receive and file staff's report; the motion was unanimously adopted.

12. REQUESTS FOR FUTURE AGENDA ITEMS

Ms. Bhatia stated she would like an update on the availability of inception-to-date contribution totals and transaction histories online. Mr. Montagna indicated staff was continuing to work with Great-West to find solutions in response to issues arising from the fact that Great-West had not been the plan provider since the inception of the Plan. Ms. Gameroz indicated if a participant were to contact Great-West, the inception-to-date contribution total could be provided to the participant over the phone. She stated providing transaction histories from inception-to-date would prove to be difficult as it would significantly slow down the participant website.

Mr. Canzano indicated he would like to explore the thought of changing the Plan's name from "deferred compensation" to "defined contribution" as the plan now offers Roth. Ms. Bhatia questioned whether Board Counsel should advise on this issue. Mr. Kidder indicated he would work with staff to look into the matter.

13. NEXT MEETING DATE –MAY 15, 2012

14. ADJOURNMENT

Mr. Canzano, on behalf of the Board and staff, acknowledged and thanked Mr. Perez for his time and efforts on the Board and congratulated him on his upcoming retirement.

A motion was made by Mr. Perez, seconded by Ms. Whelan, to adjourn the meeting; the motion was unanimously adopted. The Board adjourned at 10:40 a.m.

Minutes prepared by staff member Esther Chang.