

CITY OF LOS ANGELES
BOARD OF DEFERRED COMPENSATION ADMINISTRATION

ADOPTED MINUTES
REGULAR MEETING JULY 16, 2013 - 9:00 A.M.
700 E. TEMPLE STREET, ROOM 350

BOARD MEMBERS:

Present:

Eugene K. Canzano, Chairperson
John Mumma, Vice-Chairperson
Tom Moutes, Second Provisional Chair
Sangeeta Bhatia, Third Provisional Chair
Ray Ciranna
Margaret Whelan

Not Present:

Clifford Cannon
Michael Amerian
Robert Schoonover

Staff:

Personnel:

Steven Montagna
Esther Chang
Paul Makowski

David Luther
Alejandrina Basquez

City Attorney: Curtis Kidder

1. CALL TO ORDER

Eugene Canzano called the meeting to order at 9:10 a.m.

2. PUBLIC COMMENTS

No public comments were made.

Mr. Canzano welcomed new Board Member Ray Ciranna to the Board.

3. MINUTES

A motion was made by Mr. Ciranna, seconded by Mr. Mumma, to approve the June 18, 2013 minutes; the motion was unanimously adopted.

4. GREAT-WEST QUARTERLY PLAN REVIEW

Lisa Tilly of Great-West Retirement Services began discussion of the quarterly Plan review by starting on page 4 of the First Quarter 2013 Report. Ms. Tilly noted that the Plan ended the quarter with total assets including outstanding loans nearing the \$4 billion mark and that a majority of the gain was due to equities. Ms. Tilly also noted the growth in Roth assets over the past 12 months. She highlighted on page 7 the stability of participants over the last four quarters, but noted the decreasing deferral amount trends for both the regular and Roth deferrals. Ms. Tilly continued to discuss the transfer and asset allocation statistics provided on pages 8 through 13 of the report.

Ms. Tilly discussed page 14 and pointed out that many participants are choosing the portfolios but are also being diversified. Ms. Tilly presented the information on page 16 and pointed out the average account balance of all members is around \$94,000 and the number of millionaires in the Plan has increased to 48. Mr. Mumma asked how a \$94k account balance compares to the industry. Ms. Tilly stated that \$45k is the average she sees in the industry, and that amount was supported by both Gary Robinson of Great-West Retirement Services and staff member Steven Montagna in relation to NAGDCA.

Ms. Tilly continued with pages 18 and 19, noting that the number of distributions had declined somewhat. Mr. Mumma asked about the participants on page 18 and if it captured people who retire. Ms. Tilly answered no, and explained that the system doesn't allow for accurate reporting of termination dates. Mr. Montagna added that staff may have data which could be provided to the Board. Mr. Mumma asked to know how many participants left their funds versus how many took a distribution after leaving City service. Mr. Robinson stated that the trend may be different each quarter. Mr. Canzano indicated that a large number of people wait until the mandatory minimum distribution age before withdrawing funds.

Ms. Tilly discussed the rollover figures on pages 20 and 21 and indicated that the top five rollover recipients contain three reported a year ago. Ms. Tilly discussed loans on page 22 and noted that defaults were coming down. Mr. Mumma asked if an active participant with loans can continue the outstanding loans into retirement. Ms. Tilly pointed out some new data added to the report regarding retiree loans and that 41 participants have converted an active loan to a retiree loan. Ms. Tilly also noted that the retiree loan program started by the City in November 2012 is still the only retiree loan program among all of their clients. Ms. Tilly discussed the spike in new loans in January as reflected on page 23 but noted that the remaining months were typical. Ms. Tilly discussed the internet statistics on pages 26 and 27 and noted that page 27 shows that there is slow, but continued growth in opting out of paper statements. Mr. Canzano asked about the percentage of website users. Ms. Tilly stated that unique web users represent about 25% of Plan participants.

Mr. Robinson reviewed Local Office Activity with respect to meetings with participants, number of group meetings and table service as listed on pages 29-31. Mr. Robinson continued with the department figures on page 32 and mentioned that demand is increasing at the Harbor Department which has resulted in Great West personnel holding monthly meetings. Mr. Robinson commended Personnel Department staff member Claudia Guevara for the assistance she's provided with retiree loan processing.

5. BOARD REPORT 13-23: TRAINING PROGRAMS FYs 2013/14 & 2014/15

Mr. Montagna reported that this report contained three recommendations and asked the Board to consider and vote on each component individually. He indicated that the total recommended travel estimate for Fiscal Year 2013/14 was just under \$48,000, \$8,000 over the budgeted amount for fiscal year 2013/14, but that this involved use of carryover funds from the prior fiscal year and in all likelihood not all those assumed to attend would actually attend all listed events. Mr. Canzano asked for everyone to be aware that the East Coast Pensions & Investments Conference may actually be cheaper than the West Coast version of the conference due to lower cost accommodations.

Mr. Mumma asked if staff would notify attendees when travel was approved. Mr. Montagna responded yes. Mr. Ciranna asked what would happen if part of the travel request package was denied. Ms. Basquez indicated that would need to be addressed when it happened but that typically there had not been issues with special funded travel. Ms. Bhatia commented that the Department of Water and Power doesn't permit the use of travel carryover funds from prior fiscal years. Mr. Montagna explained that the Board's budget was internal and not part of the formal process, so residual funds could be carried forward at the Board's option.

Mr. Montagna next discussed in-house training and stated that once the new tax counsel contract was effective staff was proposing that the principal be asked to provide a regulatory training for the Board. He indicated that the contract for the tax counsel had not been executed.

Mr. Montagna began reviewed the proposal for the fiscal year 2014-15 proposed training program by indicating that staff was proposing addition of two programs to the schedule: the International Foundation of Employee Benefit Plans Public Sector 457 Plans course and the Wharton School Portfolio Management program. Mr. Montagna indicated proposed expenditures budget would be slightly over budget due to these additions, but would also utilize residual funds from the prior fiscal year. Mr. Ciranna asked for clarification about the number of attendees being 16 for a total of \$45,000. Mr. Montagna explained this budget amount assumes one training event per Board/staff member. Ms. Bhatia asked if the Board would revisit these amounts as part of its budget review. Mr. Montagna confirmed that travel would be represented in January with the Board's adoption

of its annual budget. Ms. Bhatia asked if the budget amount would be a different amount than shown here. Mr. Montagna responded that there would be a slight difference because the Board's budget operated on a calendar year basis but the training program operated on a fiscal year basis, so staff would need to reconcile that.

Following this discussion, **a motion was made by Mr. Mumma, seconded by Mr. Moutes, to approve Board/staff travel authorizations for Fiscal Year 13/14; the motion was unanimously adopted. A motion was then made by Mr. Moutes, seconded by Mr. Mumma, to approve proposed in-meeting regulatory training by the Board's tax counsel at the earliest available meeting; the motion was unanimously adopted. A motion was made by Mr. Ciranna, seconded by Mr. Mumma, to approve proposed Training Program for Fiscal Year 14/15, including reserving \$5,750 of carryover funds from FY 13/14; the motion was unanimously adopted.**

6. BOARD REPORT 13-24: COMMITTEE REFERRALS FOR INVESTMENT PROCUREMENT/STRATEGIC PLAN REVIEW

Mr. Montagna indicated that staff had growing concerns with investment procurements and the length of time to execute contracts. He noted an earlier action by the Board to employ a new process for conducting procurements to help facilitate responsiveness to the City's general contracting requirements, and that staff's plan had been to apply that new process first to the custodial services procurement, refine it based on experience, and then apply it to the much broader-scope investments procurement. But presently staff was unable to move forward because the custodial procurement required use of the consultant, and the arm of Mercer providing that service was unwilling to do the work until the Mercer contract was executed, and that contract had been held up with the CAO for approval. Mr. Montagna indicated that, based on this, staff was recommending that the Board refer the broad issue of investment procurements and their relationship to the Board's investment policy to its Investments Committee.

Mr. Ciranna asked if Personnel still didn't have a CAO assigned analyst. David Luther, Personnel Department Assistant General Manager, responded no and explained that the CAO had staffing shortfalls and the slowdown in contract executions would continue until the CAO obtained more staff. Ms. Whelan asked how long contracts had been at the CAO. Mr. Luther stated since April, but that there are eight contracts in review and they are being prioritized.

Mr. Montagna next indicated that it was recommending that a review of the Board's strategic plan be referred to the Board's Plan Governance & Administrative Issues Committee. Mr. Moutes indicated that he believed that the strategic plan should be considered by the entire Board and not just a committee. Mr. Ciranna concurred. Mr. Canzano stated that the committee recommendations

always come to the full Board for consideration, refinement and approval. Mr. Montagna indicated that Committee meetings are always agendized as special meetings of the Board and all Board members were welcome to attend. Mr. Moutes stated a preference for a full Board meeting and not a special meeting. Mr. Canzano noted that the Board doesn't blindly follow the recommendations of the committee and that they will still discuss the issues in the Board meeting. He added that committee meetings are typically lengthy to provide more time for consideration. Ms. Whelan agreed that the time for Committee meetings are typically opportunities for deeper consideration of the issues. Mr. Mumma added that the full Board doesn't always attend regular or special meetings. Mr. Ciranna stated that he wanted the item to be at the full Board meeting. Ms. Bhatia concurred. Ms. Whelan asked how often the Strategic Plan Committee met. Mr. Montagna stated that this would be the first meeting of the committee in a while. Ms. Whelan asked if the item could be discussed in one meeting. Mr. Montagna said that would be up to the Committee and may take more than one meeting. Ms. Whelan cited a concern about staff work related to holding multiple meetings. Ms. Basquez suggested that the topic be revisited next month.

A motion was made by Mr. Moutes, seconded by Ms. Bhatia, to refer to the Investments Committee a review of Plan investment menu objectives relative to the City's procurement/contracting requirements, the Plan's investment policy, and the Board's administrative responsibilities, and instruct the Committee to return with findings and recommendations; the motion was unanimously adopted.

A motion was then made by Mr. Moutes, seconded by Mr. Ciranna, to refer to the full Board a review and update of the 2012-2016 Strategic Plan; the motion failed with four affirmative votes (Bhatia, Ciranna, Moutes, and Mumma) and two negative votes (Canzano and Whelan).

Staff indicated it would return at the next Board meeting with a revised recommendation.

7. BOARD REPORT 13-25: QUARTERLY BUDGET REVIEW AND REIMBURSEMENTS

Mr. Montagna reviewed the quarterly budget and reimbursement report and noted that the reimbursements were fairly routine and that the estimated surplus had increased slightly from the prior quarter. Mr. Mumma asked about the reliability of the 3.0% assumption for the Stable Value Fund. Mr. Montagna indicated that although the current rate was presently slightly below that assumption the historical long-term rate was higher, but these and other assumptions could be reviewed by the Board as part of its strategic planning. Mr. Canzano stated that the assumptions still appear conservative over a 5-year return. Mr. Ciranna asked if there was a gameplan to address expenditures exceeding revenues. Mr. Montagna replied that the reserve fund had for many

years maintained a surplus and there was a decision by the Board to gradually reduce that surplus over time. He indicated that in the interim new staff positions had been added to the Plan, and that over the next 7-8 years this might take the surplus below the targeted amount but after that point the trend was expected to reverse. He stated that the Board's assumptions were very conservative, however, and so speculating this far out was subject to revision. Finally he noted that there were nevertheless revenue-raising options that could be reviewed by the Board.

A motion was made by Mr. Moutes and seconded by Mr. Ciranna to receive and file the status report on Deferred Compensation Plan budget accounts for the quarter ending 03/31/13; the motion was unanimously adopted. A second motion was made by Mr. Moutes and seconded by Mr. Ciranna to approve quarterly reimbursement from the Deferred Compensation Plan Reserve Fund accounts to the Personnel Department and City Attorney; the motion was unanimously adopted.

8. BOARD REPORT 13-26: QUARTERLY COMMUNICATIONS ACTIVITY REPORT

Esther Chang updated the Board on current, upcoming, and completed projects. Ms. Chang made particular note of the Retirement Calculator and Account Tune-Up Web Tool, the second quarter 2013 newsletter, and website conversion for current projects. She highlighted efforts being made for National Save for Retirement Week. She concluded by noting completion of the first quarter 2013 newsletter and "When You Retire" flier.

A motion was made by Mr. Mumma and seconded by Ms. Bhatia to receive and file the quarterly communications activity update; the motion was unanimously adopted.

9. BOARD REPORT 13-27: CONTRACT STATUS UPDATE

Ms. Chang discussed the status of the contracts which included a number of existing contracts approaching their final year and a few new contracts being held. Ms. Chang explained that staff was waiting to release a new Request for Proposals until the finalization of the Mercer Contract. Mr. Mumma asked if staff could indicate actual contract cost in addition to ceiling cost. Mr. Montagna agreed that it could be presented that way in the future.

A motion was made by Ms. Bhatia and seconded by Ms. Whelan to receive and file the update on Plan contracts; the motion was unanimously adopted.

10. BOARD REPORT 13-29: STAFF REPORT

Ms. Chang reviewed the staff report for the month of June 2013. She particularly noted the increases and decreases to Hardships and Loans, and that Roth participation had reached 5%. She concluded by noting updates to the project list as included in the report. Mr. Ciranna asked if it was possible to include more historical data on hardships and loans prior to 2010. Mr. Montagna stated that staff would review options for obtaining this data.

A motion was made by Mr. Ciranna, seconded by Mr. Moutes, to receive and file the staff report; the motion was unanimously adopted.

11. REQUESTS FOR FUTURE AGENDA ITEMS.

No requests were made.

12. FUTURE MEETING DATES

Mr. Canzano indicated that a special meeting would take place immediately following the conclusion of the regular meeting in Training Room A. He added that public comment would be held at the special meeting.

13. ADJOURNMENT

A motion was made by Mr. Mumma, seconded by Ms. Whelan, to adjourn the meeting; the motion was unanimously adopted. *The meeting adjourned at 10:35 a.m.*

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PROPOSED MINUTES
SPECIAL MEETING JULY 16, 2013 - 10:30 A.M.
520 E. TEMPLE STREET, TRAINING ROOM A

BOARD MEMBERS:

Present:

Eugene K. Canzano, Chairperson
John Mumma, Vice-Chairperson
Tom Moutes, Second Provisional Chair
Sangeeta Bhatia, Third Provisional Chair
Ray Ciranna
Margaret Whelan

Not Present:

Clifford Cannon
Michael Amerian
Robert Schoonover

Staff:

Personnel:

Steven Montagna
Esther Chang
Paul Makowski

David Luther
Alejandrina Basquez

City Attorney: Curtis Kidder

1. CALL TO ORDER

Clifford Cannon called the meeting to order at 10:50 a.m.

2. PUBLIC COMMENTS

Ms. Josephine Carreon of the Fire Department indicated she had questions regarding the FDIC Insured Savings Account option, as listed on page 5 of the Quarterly Report. Ms. Carreon stated that she would prefer a CD option instead of the FDIC Insured Savings Account. Ms. Carreon asked about Vanguard and stated that she wanted the previous option. Ms. Whelan asked for a member of the staff to talk with Ms. Carreon and address her questions.

3. RETIREMENT INCOME REPLACEMENT CALCULATOR TESTING

Mr. Montagna discussed the retirement calculator and stated that staff had already completed a considerable amount of testing with focus group members. Mr. Montagna also indicated that staff would also be shortly testing the calculator with each retirement system. Mr. Montagna stated that he would walk through the calculator in a presentation format and then would allow for each participant to test the calculator on their own and provide feedback and comments. Board

members completed the testing exercise and provided comments to the Board regarding issues with using the tab key, leading zeros in the number fields, clarification of service credit versus years of service, and clarification on using DROP funds.

4. ADJOURNMENT

A motion was made by Mr. Moutes, seconded by Ms. Whelan, to adjourn the meeting; the motion was unanimously adopted. *The meeting adjourned at 11:40 a.m.*

Minutes prepared by staff member Paul Makowski.