

CITY OF LOS ANGELES  
BOARD OF DEFERRED COMPENSATION ADMINISTRATION

ADOPTED MINUTES  
SPECIAL MEETING SEPTEMBER 5, 2014 - 1:00 P.M.  
700 E. TEMPLE STREET, ROOM 350

BOARD MEMBERS:

**Present:**

John R. Mumma, Vice-Chairperson  
Clifford Cannon, First Provisional Chair  
Tom Moutes, Second Provisional Chair  
Michael Amerian, Third Provisional Chair  
Ray Ciranna  
David Luther  
Robert Schoonover

**Not Present:**

Eugene K. Canzano, Chairperson  
Mary Higgins

Staff:

Personnel: Steven Montagna Alejandrina Basquez  
Esther Chang

City Attorney: Miguel Dager

1. CALL TO ORDER

Mr. John Mumma called the meeting to order at 1:07 p.m.

2. PUBLIC COMMENTS

None.

3. BOARD REPORT 14-37: FDIC-INSURED SAVINGS ACCOUNT PROVIDER  
SELECTION

Ms. Esther Chang stated that since the last meeting of the Board, Bank of America had spoken with its senior management and indicated that it would not be able to extend its contract with the City. She indicated that due to this development, the Plan was still looking for a third provider for the FDIC-Insured Savings Account Option. She indicated the Plan's investment consultant was diligently working to identify a viable third provider, and currently had a promising connection with Union Bank.

She indicated that staff recommended that the initial transition, upon expiration of contracts, be set up such that Bank of the West and East West Bank obtain an equal split of the FDIC-Insured Savings Account option assets. She stated the option was typically split equally between three banks, though there were allowances for different allocations due to institutional viability and opportunities presented for higher rates. She indicated there was no significant difference expected between the rates offered by the two banks, so an equal allocation would be recommended. She noted that while City National had indicated they could extend another three months only, the bank was offering a significantly lower rate.

She indicated the recommendation for the initial transition would impact FDIC coverage, however, it would directly impact only 22 of the 9,000+ participants in this option. She indicated participants with balances invested in the option above \$500,000 would have their FDIC coverage reduced. She stated those with balances between \$500,000 - \$1,000,000 in the option would have full coverage up to \$500,000 with the balances above that covered only at 50%. She indicated the Plan would be communicating this change by letter to those directly affected and to the rest of the participants via web bulletin and newsletter article.

Mr. Devon Muir of Mercer Investments Consulting stated he had reached out and had discussions with at least ten banks, including online banking institutions. He indicated that he was currently in discussions with Union Bank, which was reviewing the City's contracting requirements to identify any potential issues.

Mr. Ciranna asked whether banks were reluctant to do business with the City of Los Angeles specifically. Mr. Muir indicated the responses he had received had been more so related to firm policy on not taking in additional deposits, though the contracting hurdles could also present a challenge; he stated this was indicative of why the banks have been a "moving target" and been ambivalent on whether they can provide services.

Mr. Ciranna asked for additional information on communication of the change. Ms. Chang stated letters were going to participants with balances above \$450,000 in the option, and that there would be general communication posted on the website and included in the next quarterly newsletter. Mr. Mumma asked that the communications indicate that these changes were not intended by the Board, and that the Plan was doing its best in the current environment.

Mr. Moutes asked whether there was any tracking or identification of challenging issues related to the City contracting requirements. Mr. Montagna indicated there was not a formal tracking process, though the Employee Benefits Division was aware generally of the handful of requirements or ordinances that could generate most resistance or confusion during a procurement.

Mr. Ciranna stated that if there was an opportunity to bring in a third provider, that it be done as soon as possible. Mr. Mumma asked what alternatives might exist for a like

product. Mr. Muir stated the likeliest option would be a Treasury money market fund. He indicated that while it would not have an “insurance” component, monies are set aside in a custody account that is invested in U.S. Treasury bills or short term federal securities. He stated that while the FDIC option was decreasing its yield, from 43 basis points to 23 basis points, it was still a benefit over many banks that were offering money market funds yielding zero or a basis point.

**A motion was made by Mr. Ciranna, seconded by Mr. Moutes, to approve staff’s recommendation to adopt a revised allocation of assets for the DCP FDIC-Insured Savings Account option beginning October 1, 2014, allocating an equal portion to Bank of the West and to East West Bank; the motion was unanimously adopted.**

**A motion was made by Mr. Amerian, seconded by Mr. Ciranna, to receive and file additional information regarding the FDIC-Insured Savings Account option; the motion was unanimously adopted.**

#### 4. BOARD REPORT 14-38: NATIONAL SAVE FOR RETIREMENT WEEK 2014

Mr. Montagna indicated staff had brought the Mayoral proclamation drafts to the Board as it was timely and as the Board had not seen the final product. He asked whether the Board had any feedback on the communications.

Mr. Ciranna asked that a note be made to reference the website on the proclamation itself, while Mr. Mumma asked that language be clarified in reference to the 200 gifts cards, as it could be construed there were 200 gift cards to be awarded for both the active and retiree segments. Mr. Luther wanted to clarify that the Board would be approving the text of the communications, as he wanted to have some liberty for the actual communication to come from another entity should the Mayor not approve in time. Mr. Ciranna suggested that it could come from the Board as well should that happen. Mr. Montagna indicated that he did not foresee an issue with obtaining the Mayoral signature on schedule.

**A motion was made by Mr. Amerian, seconded by Mr. Schoonover, to approve staff’s proposed correspondence regarding the promotional campaign for National Save for Retirement Week; the motion was unanimously adopted.**

#### 5. REQUESTS FOR FUTURE AGENDA ITEMS

None.

## 6. FUTURE MEETING DATES

The next Regular Meeting is October 21, 2014. Mr. Mumma indicated the next Investments Committee meeting would be held September 29, 2014.

Mr. Montagna announced that Ms. Chang would be filling the vacant Senior Management Analyst I position.

## 7. ADJOURNMENT

**A motion was made by Mr. Moutes, seconded by Mr. Cannon, to adjourn the meeting; the motion was unanimously adopted. *The meeting adjourned at 1:23 p.m.***