CITY OF LOS ANGELES
BOARD OF DEFERRED COMPENSATION ADMINISTRATION

ADOPTED MINUTES
REGULAR MEETING NOVEMBER 15, 2011 – 9:00 A.M.
700 E. TEMPLE STREET, ROOM 350

BOARD MEMBERS:

Present:
John R. Mumma, Vice-Chairperson
Clifford Cannon, First Provisional Chair
Sangeeta Bhatia, Third Provisional Chair
Michael Amerian
Michael A. Perez
Margaret Whelan

Not Present:
Eugene K. Canzano, Chairperson
Tom Moutes, Second Provisional Chair
Robert Schoonover

Staff:

Personnel:	David Luther Alejandrina Basquez Steven Montagna Natasha Gameroz Esther Chang
City Attorney:	Curtis Kidder

1. CALL TO ORDER

The meeting was called to order at 9:08 a.m. by Mr. John R. Mumma. Mr. Mumma served as Chairperson in-lieu of Mr. Eugene Canzano, who was not present.

Mr. Mumma called for agenda item #4 to be heard first.

2. PUBLIC COMMENTS

Mr. Marshall Rumpf introduced himself as a Plan participant. He indicated he had received his third quarter newsletter during the second week of November, within which he learned that certain funds were being eliminated and investment options for the Plan would be consolidated. He indicated he is heavily invested in one of the affected funds, Hartford Capital, and feels he is being forced to the outside brokerage window, offered through Schwab, in order to continue his investment in Hartford. He indicated he is concerned that when the funds transition at the end of February, he will lose a significant amount of money. He stated that although there is the outside brokerage option, one would still lose money as one would have to sell off his/her current shares and buy in the brokerage window. He indicated that if he is forced to sell his funds within the next two and a half months, he expects to lose money in the process. He indicated surprise at the fact more participants were not present to express concern. He stated the website had no information available regarding the proposed change. He asked that the Board postpone the transition of funds for a year so that losses in value could be regained.

Mr. John Mumma stated that while the Hartford fund and other funds are being eliminated, participants are still being mapped into a new fund in the same asset class. He stated that a participant would still be obtaining approximately equivalent value as the market should be up or down roughly the same way for funds in each asset class.

Mr. Rumpf stated that he has a lot of money and time invested in the fund and wanted to invest his funds in Hartford for at least another 6-7 years in order to regain significant losses. He stated that he was not yet aware of the share price of the new fund, though when he had reviewed Vanguard's current pricing, it was at approximately $115 a share versus approximately $40 a share for Hartford. He indicated that he understood Mr. Mumma's point, but still felt he would be losing out on the large number of shares purchased with Hartford.

Mr. Mumma stated that the elimination of certain funds was due to underperformance. He indicated that index funds were performing better, and remarked that the funds could do even better when things start to turn around. He also added that some of the new funds are also a blend of passive and active funds. He indicated that there was also a consideration for the fact that fees for index funds are lower. He stated that the intent is to try and give everyone the best possible investment outcome.

Mr. Craig Davis introduced himself as a Plan participant. He indicated he was shocked to find out about the investment menu change and there is nothing on the Plan website providing additional information. He displayed print-screen shots from the Plan administrator's website and stated that new information is located underneath the main menu but that a user has to scroll to reach it, and that there are many layers to get to Board meeting information, which is located on Personnel's Deferred Compensation website. He felt that meeting dates should be listed on the main website. He indicated however that he liked the website design and felt it was comparatively better than a lot of other deferred compensation plan websites. He also commented that since not many participants were present at the meeting, it implies participants are not aware of this upcoming change.

Mr. Davis stated that all funds are underperforming, depending on when the snapshot is taken. He indicated that he started to contribute to the Plan the same day as Mr. Rumpf, and since then, Hartford's average rate of return has been about 6% or 7%. He continued to say that he could not understand certain changes, such as the PIMCO and Vanguard bond fund blend; he stated that when looking at the performance over the last three years for both funds, PIMCO is up 34% but Vanguard is up only 16%. He indicated that he liked the option of being able to invest in the different funds currently offered, depending on the performance of the fund. He acknowledged however that over the same period, the Hartford fund has been underperforming compared to the passive fund. He stated that he also agreed that there should be more time before the transition is made for people to know about these funds, and he urged the Board to keep Hartford as an investment option for a longer period of time.

Mr. Timothy O'Conner agreed with the previous speakers. He stated he is a Plan participant and has been invested in the Plan for two and a half decades. He indicated the Plan should allow the current investment options to continue until participants feel it is a more opportune time to transfer into the outside brokerage. He remarked that to force this change now would be detrimental. He asked that current participants be given a choice of when they transfer, or at least five years to make the transition, and that the proposed investment menu apply to new participants.

Mr. Mumma indicated he had received phone calls from participants who were told that Schwab did not have the same options available as the City's Plan does, though his calls were specific to the Fidelity fund. He pointed out that Mr. Rumpf had also been told that the same share class would not be available through Schwab for Hartford. Mr. Mumma asked staff for clarification.

Steven Montagna stated that for the Hartford fund, the existing share class that the City has is not available through the brokerage window, but there is an institutional share class that is available. He indicated that he had contacted Hartford and was working with them to look at making a lower price share class available; he noted there are currently two others on the platform but are not available for new investments. Mr. Mumma asked when staff would hear back. Mr. Montagna said in the next few weeks.

Mr. Montagna added that staff has also spoken with some participants to discuss strategies on how best to transfer funds into the brokerage window. He indicated that staff would be happy to meet with Mr. Rumpf, Mr. Davis, and Mr. O'Conner individually to discuss options. Mr. Montagna added that staff welcomed suggestions on improving communications effectiveness. Mr. Mumma encouraged those that made a public comment to speak with staff in order to better address their concerns.

Mr. Davis continued to say that all assets move together when markets crash. He asked if the Board could explore the option of a non-correlated asset/fund, such as a metals investment fund. Mr. Mumma asked staff if those types of investments or ETFs were available through the brokerage window and Mr. Montagna confirmed. Mr. Davis then asked whether a participant could be enrolled in both the regular Plan investment options as well as options through the brokerage window.

Mr. Curt Kidder reminded the Board that the Brown Act does allow brief responses to public comments with directions to staff, however items requiring extensive discussion should be appropriately placed on the agenda. Mr. Mumma acknowledged Mr. Kidder's counsel, and indicated to Mr. Davis that one could be enrolled in both the Plan and the brokerage window, though there is a minimal fee to have an account through Schwab. Mr. Davis asked the Board to consider another investment option, such as an insurance option or a fixed index annuity; he indicated that with this option, when the market drops off returns remain at zero, but when the market rises, so does the return.

Ms. Margaret Whelan requested that staff meet with those that provided public comment and provide a report back to the Board to see how these issues will be/can be addressed. Mr. Perez asked that any additional participant feedback staff may have received also be included in the report-back.

Mr. Rumpf wanted to add that an indeterminate time ago, he had spoken with staff and learned approximately $250 million was invested in the Hartford fund. He stated that the Hartford fund is now down 15%; he surmised that would translate to participants losing approximately $38 million to make this investment menu change. He indicated he had lost confidence in the Plan in providing investment options and reiterated that he expected a big loss. He stated that when this fund change happens, many participants who may not have been paying attention would be upset. He also indicated that he had found Board reports and annual reports and other information on the website, but stated that trying to find the Board's website had been difficult.

3. MINUTES

Mr. Mumma indicated that there should be a space between "term" and "the" on page 3, second paragraph, second line: "…difficult year, over the long termthe fund…" He also indicated that the "a" should be "are" on page 4, fourth paragraph, second to last line: "…Ms. Margaret Whelan indicated that there a many participants…"

A motion was made by Ms. Whelan, seconded by Mr. Cannon, to approve the October 18, 2011 minutes, as amended; the motion was unanimously adopted.

4. INVESTMENT PROVIDER PRESENTATION: GALLIARD CAPITAL MANAGEMENT

Galliard Capital Management representatives Mr. Mike Norman, Senior Principal, and Mr. Rob Crandall, Portfolio Analyst, appeared before the Board to provide information regarding Galliard and the Stable Value Fund it manages for the City's Plan.

Mr. Norman indicated that Galliard is a wholly owned subsidiary of Wells Fargo & Co., located in Minneapolis. He stated that Galliard is focused exclusively on institutional fixed income and stable value, with approximately $76 billion in assets under management with a large portion of it in stable value (approximately $68 billion). He indicated that as assets have grown, Galliard has been increasing staff, primarily client service and investment personnel. He indicated there have been no changes in recent ownership or management, and none is contemplated in the near future.

Mr. Norman indicated that the purpose of a stable value fund is to give an investor the return profile of an intermediate duration bond fund with the risk profile of a money market fund; money market funds have had a lower return but less risk, whereas intermediate duration bonds have had a higher return but more risk. He indicated stable value funds have tended to outperform money market funds.

Mr. Norman stated that the City's portfolio is broadly diversified across all areas of the fixed income market. He indicated there are book value contracts (also called wrap contracts or security backed contracts) that sit on top of the portfolio to help minimize volatility of returns. He said this allows participants to transact at book value, which is principal plus accrued interest, versus market value (which fluctuates daily). He stated that book value cuts off peaks of performance and troughs of underperformance and amortizes them over time. Overall, he indicated that stable value returns have been decreasing in the last few years due to reinvestments; new cash is reinvested in a current bond market that is historically low in interest rates.

Mr. Mumma indicated that he had heard that the state of Utah did not use wrap providers; he asked whether that was a trend or if that is still yet to be determined. Mr. Norman indicated that he was not familiar with the Utah situation, but indicated that any entity without a wrap provider would need to have some sort of provider, or insurance or some other contract, in order to be a true book value reported fund.

Mr. Norman provided a current market update. He indicated that banks and insurance companies took a step back from wrap services after 2008 to assess risk. He stated that since then, there has been an increase in fees and tightening of investment guidelines, which has forced Galliard to also increase fees. He stated that the market is also slowly starting to see new entrants into the wrap market, with new providers expected in the next 3-6 months. He stated there is starting to be a loosening of the guidelines, and wrap providers are being more accommodating. He indicated banks are beginning to pare back on wrap provider services, such as JP Morgan, which will be exiting this market. He stated that insurance companies are now coming in to fill the gap left by the banks. He stated that 20 years ago, wrap services were provided by insurance companies only, however banks began to enter the market and drove down fees. He stated that presently insurance companies are providing more wrap services as the banks are now having difficulty providing this service.

He added there is a study being conducted by the CFTC and SEC regarding a broad definition of swaps to determine if wraps are to be included, which would include stable value funds. He indicated that he was inclined to believe that there should not be additional regulation for stable value, and that should the definition include wraps that it would probably result in more of a reporting requirement and higher fees.

Mr. Mumma asked if the wrap provider is specific to the Plan's fund or for Galliard. Mr. Norman responded that the wrap providers are specific to the City's portfolio as it is a separate account, but that Galliard also works with the providers across other portfolios.

Mr. Mumma asked how many wrap providers cover the City's fund, and Mr. Norman answered that there are six providers.

Mr. Norman stated that generally, the numbers are promising for the economy but it will still be a slow process. He indicated that it would not necessarily be "U" or "V" shape recovery, but more similar to a "square root" – there was a downturn, a slight surge, and currently it has hit a plateau.

Mr. Crandall indicated he would discuss the stable value fund. He stated that the investment philosophy remains the same since the fund's inception: capital preservation, maintenance of sufficient liquidity, performance over the benchmarks and peer groups, broad diversification, and minimization of volatility. He stated that the fund has been in existence since July 1, 1999, and that investment performance has remained fairly consistent since then and has outperformed its benchmark for all periods. He stated that currently the fund is at $782 million with 6% increase in return, year-to-date, with a market/book value ratio that is a little under 104%. Mr. Norman clarified that the market/book value ratio percentage indicated that if the underlying bond portfolio had to be sold, the wrap providers would not be necessary because the difference is made up between the market and book values. Mr. Mumma asked what the returns and market/book value ratio were like pre-2008. Mr. Norman did not have the exact numbers and indicated he could provide the specific numbers to Mr. Montagna. Mr. Norman however estimated that for the returns, it would have been at a high 4% or 5%, and that the market/book value ratio, which had been a little under par going into the 2008 situation, had been about 97% or 98%. He added that the ratio recovered in 2009.

Mr. Crandall continued with the Stable Value Fund overview and indicated that a vast majority of the fund is invested in triple A rated securities. He indicated that the City's fund is diversified, as almost half of the assets are in stable value, and the rest is divided among short and/or intermediate duration portfolios. He also indicated the City had six wrap providers; though JP Morgan was one of the six, he indicated that Galliard still felt strongly about the remaining providers. Mr. Norman indicated it would be a few years before JP Morgan would actually exit, which will provide Galliard enough time to transitions funds to another wrap provider.

5. BOARD REPORT 11-70: BANK DEPOSIT SAVINGS ACCOUNT

Mr. Montagna recommended that the Board approve moving forward on creating an option for more flexibility for the FDIC-insured bank deposit savings account. He indicated that the savings account had been restructured in 2009 with the goal of expanding FDIC insurance; as such, the fund currently has three underlying providers, with a third of the fund allocated to each. He stated that the recommendation is to change the investment policy so the Board would be able to change the allocation of funds to make it possible to provide a greater share to a higher yielding provider.

Mr. Montagna stated that Bank of the West is currently offering a 1% floor that is significantly higher than the other two current providers. He stated that if the new policy is implemented, for the higher yield provider the allocation of assets could be increased to 50% with the balance of assets being equally split by the other two providers. He indicated however that if the change in allocation percentages was to be implemented, it would reduce the level of FDIC insurance from $750,000 to $500,000. He stated that of the 10,000 participants in the fund, only 18 individuals would be impacted by the decrease in insurance; he pointed out that these individuals would still have the option of going to the brokerage window for funds that might be in excess of the $500,000 limit.

Mr. Montagna indicated that if the policy was implemented now, the new blend would increase the interest rate by 15 basis points. He stated that should the Board approve this concept, staff would prepare language to change the investment policy and assess whether it would be appropriate to implement the change with the current providers.

Mr. Devon Muir reiterated that the potential yield could be a 15 basis points increase on the 40 basis points that is the projected yield on the current blended product. He acknowledged that there is a trade-off with the decreased FDIC insurance, however, he noted that dollars not covered by FDIC insurance are collaterized in U.S. treasuries. He indicated that in the case of the higher yield provider's insolvency, the securities would be put back to the Plan. As such, Mr. Muir indicated that Mercer is comfortable with this methodology.

Mr. Mumma asked how long it would take to come back with the follow-up report. Mr. Montagna indicated staff could provide it at the next Board meeting.

Mr. Cannon asked if this was a one-time change or if the Board would periodically review the interest rates. Mr. Montagna indicated that it would be a regular part of the Board's review. He stated that it was a structural change to the investment policy.

Ms. Bhatia asked for further clarification on what specifically the Board is approving. Mr. Montagna clarified that the Board is instructing staff to draft specific language to change the investment policy and to provide the Board with an assessment of the practicality of implementing the allocation change with the current providers.

Mr. Perez commented that he would encourage staff to include the consultant's recommendation for documentation on future similar requests. He also sought clarification on what would happen to the rate if it went above the 1%. Mr. Montagna indicated that once the rate falls below 1% and after it goes above 1%, then it should reset to whatever the rate is on the 91-day T-bill. Mr. Muir stated that the language is ambiguous once the rate goes above 1%. Mr. Muir stated the 1% floor rate is an introductory rate that is being honored throughout the contract term, but when rates go up, other banks may have more advantageous yields. Mr. Montagna stated that a year and a half from now, the Plan would be reviewing responses to a new RFP for the savings account. He indicated that it was quite likely that interest rates would not be too different at that time, at least based on current federal projections.

Mr. Mumma asked how often the Board would review these types of situations. Mr. Muir suggested on an annual basis. Mr. Montagna agreed and stated that he would not want banks to assume that assets would be moved more often than that as it may discourage business with the Plan.

Ms. Bhatia asked if there had been conversations with the other two banks and if they might have made offers to increase rates. Mr. Montagna confirmed staff had spoken to them, and no rate increases were offered. He also added that the current situation is unusual; in a normal interest rate environment, rates might be more closely aligned. He indicated that the policy might force the lower rate providers to come up higher to avoid triggering a loss of assets, which would raise the overall yield of the fund.

Mr. Cannon commented that the other banks are still going to get 25%; as this percentage would be guaranteed, he questioned whether banks would attempt to increase rates if they are already receiving a sizable portion of the fund. Mr. Montagna indicated that any lower percentage might sacrifice the maximum FDIC insurance amount. He stated that the Plan would still try to preserve and keep the account as safe as possible.

A motion was made by Mr. Perez, seconded by Mr. Amerian, to approve in concept staff's recommendation to modify the structure of the Plan's FDIC-Insured Bank Deposit Account, and to instruct staff to return with recommended language to modify the Investment Policy as well as an analysis of whether to apply the new structure to the current set of providers; the motion was unanimously updated.

6. BOARD REPORT 11-71: INVESTMENT MENU IMPLEMENTATION UPDATE

Ms. Gameroz indicated that at the last Board meeting, the Board had approved the RFP for the investment menu implementation, pending Board counsel's comments. She stated that staff had received Board counsel's comments and would be reviewing the changes with Board counsel the next day. She indicated that the RFP should be released before the next Board meeting. Ms. Gameroz also requested that the Board approve the execution of the procurement disclosure form, which dictates board and staff behavior during the RFP process.

Ms. Bhatia referred to statement #4 of the Board disclosure form, "I understand that this provision does not limit my ability to acquire information from or otherwise communicate with any actual/potential bidder pursuant to procedures provided for in the RFP." She questioned the necessity of the statement and asked how or why a Board member would contact a bidder. Mr. Kidder answered that the statement was meant to indicate that there would be a structured process to obtain information via the RFP process and that Board would be acknowledging there would be no contact beyond that.

Mr. Perez indicated that perhaps it was a carry-over from the staff version of the disclosure form. He requested that the line be taken off the Board member disclosure form.

Mr. Kidder indicated there might have been contemplation of an ad-hoc committee. Mr. Montagna stated that it would actually be staff and the consultant that would be reviewing results of the RFP and returning to the Board with recommendations; he did not expect any vendor presentations to be part of the RFP process.

Ms. Whelan asked if the form can be clarified as the line is inconsistent with the purpose of the form. She believed that vendors might misconstrue this statement and believe it is acceptable to contact Board members, which she would want to avoid.

Mr. Mumma asked if the line could be stricken out. Ms. Gameroz indicated that it would be stricken out and staff could return with a revised form. Mr. Perez recommended that the Board proceed with approval of the form, with the recommendation that the subject statement be stricken from the form. Mr. Mumma asked Mr. Kidder if that was acceptable so that the Board members could submit signed forms to staff without delay. Mr. Kidder indicated that it was, however each Board member would have to initial next to the strike-out.

A motion was made by Mr. Perez, seconded by Ms. Bhatia, to approve execution of the procurement disclosure form with the strike-out of the aforementioned line; the motion was unanimously approved.

A motion was made by Mr. Perez, seconded by Ms. Whelan, to receive and file the information provided by staff; the motion was unanimously approved.

7. BOARD REPORT 11-72: HARDSHIP WITHDRAWAL GUIDELINES

Ms. Gameroz stated that at the August 16th Board meeting, the Board had approved a partial hardship withdrawal in the amount of $13,749 in Case No. 11-01. She stated that the Board had authorized staff to approve additional amounts up to the applicant's documented income loss. She indicated that Great-West Retirement Services, the Plan's third-party administrator, had denied the hardship request due to an internal Great-West policy, which indicated denials for hardship cases that had income loss for more than one year. She stated that the reasoning for this policy was that Great-West believed it was sufficient time for the applicant to adjust to a lowered income.

Ms. Gameroz indicated that the Board has frequently approved the appeal of hardship cases that involved income loss of over a year. She said that as a result, staff and Great-West discussed making a change to the policy just for the City's Plan; however, there was a concern that it would result in too broad an application. She thus recommended that these situations be considered on a case-by-case basis. She indicated that this would require Great-West to refer cases to City staff. She asked the

Board to delegate authority to staff to approve such cases so long as they are similar to cases already approved. She stated that if situations are not similar to precedent, staff will bring those cases to the Board for review.

Mr. Mumma asked why staff was recommending review of this policy in two years, and if it might be appropriate to reassess possibly after a year. Mr. Montagna indicated that it was expected the economy would not change much over two years, but that it could be reassessed in a year.

Mr. Amerian asked how often staff anticipates these types of cases, and if two years would be a sufficient period to review enough cases for precedent. Mr. Montagna indicated that loss of income was a major reason for hardships but did not have a specific number. Ms. Bhatia asked that since the Board is provided with a staff report every month on hardships, if the number of hardships Great-West referred could be tracked each month as well. Ms. Gameroz indicated that staff would do so beginning with the next staff report.

A motion was made by Mr. Amerian, seconded by Mr. Cannon, to approve staff's recommendations; the motion was unanimously approved.

8. BOARD REPORT 11-73: JANUARY 2012 TRAINING EVENT

Mr. Montagna stated that in June the Board had approved a new structure of Board meetings that would be implemented beginning January 2012. He indicated that the new format would combine related concepts to be reviewed at the same meeting and create a structure to each meeting. He stated that one item that was included in the new Board meeting structure was training, which had not been a part of the Board meetings before. He announced that the first training session would be scheduled for the January 2012 Board meeting. He indicated that it was staff's thought to have the first topic consist of a review of the demographic profile of the City workforce and the participants of the Plan. He commented that the information could relate to a number of different issues the Board works on. He added that Mercer had general information regarding the way the national population is also changing, and that staff would try to incorporate that into the presentation.

Mr. Perez commented that it would be a very valuable communication for the Board. He indicated that a main focus should be on how information is communicated to a wide variety of populations. He indicated that communication forms such as text messages, e-mail, and Facebook pages would be good to take a look at as well.

A motion was made by Ms. Bhatia, seconded by Mr. Perez, to approve staff's recommendation; the motion was unanimously approved.

9. BOARD REPORT 11-74: ACCOUNTABILITY SUMMARY

Mr. Montagna indicated that at the September 2011 meeting, a document was provided that summarized the responsibility of different entities involved with the Plan. Board members had expressed some concern over the document as it had not readily sourced the appropriate references and because it had been ambiguous as to whether the document was intended to be authoritative or provided as a summary. He stated that as a result of Board comments, staff decided to revise the entire document with hopes that the new accountability summary would be clearer. He indicated that the new chart now breaks down each entity and references the specific document or legal authority, and that language was added to indicate the intention of providing a summary of authority as opposed to a controlling document.

Mr. Mumma asked for additional information regarding the authority to contract for Plan auditing services, which was listed at the bottom of the first page of the summary. Mr. Montagna indicated that an external auditor was contracted only once in the history of the Plan. He stated that the Board at that time did not feel that much value was received given the money spent, and indicated that it would be something staff would need to re-visit. He also stated that audits for governmental defined contribution plans are rare.

Mr. Mumma asked what would be audited. Mr. Montagna indicated there could be a financial audit, where the record-keeper could be audited, or there could be a rules audit. Mr. Perez commented that this was a very complicated area and that much time and resources could be spent. He added that the Charter was changed in 2000 and gave the City authority to audit the pension systems once every 5 years. He indicated the City audited all three retirement systems; he estimates that approximately $900,000 was spent to audit Pensions and LACERS, but remarked that there was some value. He indicated that he believed the challenge would be to determine what areas to audit, and that this may be a topic to come back to at a future point.

Mr. Mumma asked staff why the previous audit had been completed, and if it had been triggered by a particular issue. Mr. Montagna indicated that there was no specific trigger, but that it was mostly due to the fact there really had not been one completed at that point. He surmised that if the Plan were to request an audit, that the focus would be more on a rules audit. He also added that the last time an RFP to audit the Plan had been released, it was discovered that not a lot of firms have experience in auditing plans such as the City's; in fact, only two responses had been received with one not even a viable option.

A motion was made by Mr. Cannon, seconded by Mr. Amerian, to approve the revised Accountability Summary; the motion was unanimously approved.

10. BOARD REPORT 11-75: DEFERRED COMPENSATION PLAN BUDGET STATUS REPORT

Ms. Gameroz recommended reimbursements be made from the Plan's budget accounts to Personnel for $152,812.26 and City Attorney for $30,501.01 for the quarter ending June 30, 2011. She added that at the September 30th Board meeting, staff had discussed making adjustments to budgeted expenditures for Plan staff. She indicated that starting July 2011, the City had implemented a new cost accounting system which allows City employees to allocate their time to various tasks, which provides greater precision for time allocation by Plan and City Attorney staff. She stated that in the future, reimbursements will be recommended based on actual hours worked.

Mr. Mumma asked how breaking down the costs by hours would affect the expenditure amounts. Ms. Gameroz indicated that it would bring down costs for personnel, as percentages funded by the Plan would decrease from 100% to 90% as some hours are spent on other tasks such as administering the Pensions Savings Plan. Mr. Mumma asked how much effort would be required to track this information. Ms. Gameroz indicated this was already being tracked. Mr. Amerian asked whether staff is referring to the use of D-Time, which Ms. Gameroz confirmed.

Mr. Cannon asked if the expenses were direct labor costs or included retirement costs. Ms. Gameroz confirmed they included all indirect costs.

Mr. Mumma referred to the Projected Revenue/Expenses chart on page 2 of the report. He pointed out the estimated balance over/under reserves going into 2016 from 2015, which would eventually run under, and asked whether staff expected the reserves to continue to decrease after time. Ms. Gameroz indicated that there would still be a surplus balance. Mr. Montagna added that internally, staff keeps projections through ten years and that he had not seen anything that will run the Plan "into the red." He stipulated however that it is a projection, and that even a 5-year projection is speculative.

A motion was made by Mr. Perez, seconded by Mr. Cannon, to approve staff's recommendations; the motion was unanimously approved.

11. PLAN SPONSOR SURVEY

Ms. Usha Archer, representing Great-West, presented a report to the Board that summarized the results of a Plan Sponsor survey Great-West had conducted. She indicated that there were some areas where improvement could be applied. She referred to the participant website as two respondents had indicated they were dissatisfied. She informed the Board that Great-West had rolled out to smaller customers a new website that will similarly be offered to the City next year. Mr. Mumma commented that Great-West had received a compliment on the current plan website by an earlier public comment.

Ms. Archer stated that there was one negative respondent regarding communications materials, but indicated that Great-West continually works with staff regarding the improvement of these materials. She indicated also that for participant statements, one respondent found they were not useful. She concluded that the remainder of comments indicated that overall, mostly everyone is happy. She encouraged the Board to share any specific issues with staff so that it could be passed along to Great-West.

Mr. Mumma asked if Great-West had a status update on how to indicate on participant statements how much a person has contributed to the Plan, or if participants can get that information over the phone. Ms. Archer says she will look into it and follow-up. She indicated that a participant could call the Denver office to receive this information.

Ms. Bhatia stated that on the website the account history only goes back three years. She asked if there could be a field or a button that could indicate from inception or from 10 years ago. Ms. Archer stated that since there is so much data and it would have to be uploaded for everyone, and because many participants are trading once a month over the site, that doing so could slow down system significantly. She indicated that she would look into it.

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

Mr. Perez asked what would happen if the Board did not approve a receive and file recommendation. Ms. Bhatia offered that she had encountered this and that a motion had been made to only acknowledge receipt as there had been concerns with the report. Mr. Kidder commented that since a specific action is not required, that acknowledging receipt is probably most appropriate.

12. BOARD REPORT 11-77: STAFF REPORT

Ms. Chang indicated she would update the Board on activity that had occurred in October. She stated 173 participants visited the employee Benefits Division to discuss their accounts with Great-West representatives or staff. She stated that eight participants elected to enroll accrued leave payouts into the Plan, with $182,853 contributed.

Ms. Chang indicated 47 hardship cases were submitted to Great-West, with 36 approved; 88% of requests were due to prevention of foreclosure or eviction. Mr. Mumma requested that staff include the dollar amounts for hardship activity in future reports.

Ms. Chang continued with the staff report and stated that 465 participants elected to obtain a new loan with almost $5 million withdrawn from the Plan for the payouts. She stated that the sum of bi-weekly deferral cash flows from City and DWP employees in the month of October was $12,919,826, which was a decrease of 1.59% from the previous year. She also indicated that per a previous Board request, information on Roth enrollment would now be included in the monthly staff report; she stated 542 new Roth accounts were established since August (when the Roth option was introduced), which constituted a 1.9% participation rate of the employees contributing to the Plan.

Ms. Chang also notified the Board that the IRS had announced retirement plan limits for 2012. She stated that for participants below age 50, the new limit was $17,000; for those age 50 or older, $22,500; and for those in "catch-up," it would be $34,000. She also indicated that the CAO had inquired about the total annual fees the Plan paid. She stated that the amount was approximately $7 million in annual Plan fees, and indicated this was included in the report for the Board's information.

Ms. Whelan asked why the CAO asked about the fees. Mr. Montagna indicated that the reason had not been provided, but that Mr. Tom Coultas had requested this information. Mr. Mumma asked if there was any news or action that might be anticipated. Mr. Montagna indicated that he did not believe so, and that the inquiry was likely for general information purposes.

A motion was made by Mr. Perez, seconded by Mr. Cannon, to receive and file; the motion was unanimously approved.

Mr. Mumma added that there was something additional to discuss, regarding an IRS provision for public safety officers to use $3,000 from retirement accounts to pay medical or other eligible insurance premiums in retirement or long term care. He stated that he had learned that Pensions is already withholding this amount for many of their members. He indicated that for individuals not receiving insurance through a Pensions-sponsored program, the only way these individuals could take advantage of the tax benefit would be to use deferred compensation funds to pay applicable health and/or life insurance premiums. He indicated that Ms. Gameroz was working with Great-West to set up this feature and wanted to thank her for her efforts. Ms. Gameroz indicated that Great-West is currently reviewing the necessary form and that the Plan Document would also be revised to address this provision.

13. REQUEST FOR FUTURE AGENDA ITEMS

Regarding the upcoming investment menu change, Mr. Mumma requested that in addition to staff looking at the availability of the same share classes through the brokerage window, that staff also provide any information regarding costs associated with the funds transfer. He indicated that he had received many calls from his membership regarding fees that would result from funds being mapped to a new fund; specifically, if a participant were to sell his/her Hartford shares and buy similar shares through the brokerage window. Mr. Montagna indicated there were fees to maintain accounts through the brokerage window, but that there would be no transaction costs for the transfers related to the investment menu change. He added that staff could provide more information at the next meeting. Ms. Gameroz indicated that information regarding “in-kind transfers” would also be included.

14. NEXT MEETING DATE

Mr. Mumma indicated that the next meeting date was December 20, 2011. He asked whether it might be prudent to move the meeting to the week before, and asked staff to do so if a quorum could not be reached for the regularly scheduled meeting date.

15. ADJOURNMENT

A motion was made by Mr. Perez, seconded by Mr. Cannon, to adjourn the meeting; the motion was unanimously adopted.